

# **EXHIBIT 1**



*Chesapeake Energy Corp.*, AAA No. 14 115 00436 13 (the “*Burkett* Arbitration”), or in *Chesapeake Appalachia, L.L.C. v. Burkett*, Case No. 3:13-3073 (the “*Burkett* Litigation”) on the terms set forth below, subject to the approval of the Court.

### RECITALS

A. Plaintiffs, as lessors, and Chesapeake, as lessee, are parties to oil and gas leases governing leaseholds in the Commonwealth of Pennsylvania. The leases obligate Chesapeake to make Royalty payments to Plaintiffs on gas produced and sold by Chesapeake. The leases contain Market Enhancement Clauses, as defined below, which Plaintiffs allege preclude Chesapeake from deducting a pro rata share of Post-Production Costs incurred to place the leasehold gas into marketable form but permit Chesapeake to deduct a pro rata share of Post-Production Costs incurred after the gas is marketable.

B. Plaintiffs allege in *Demchak* that Chesapeake underpaid Royalties by, among other things, deducting Post-Production Costs that were incurred to place gas in marketable form in violation of their leases, and further allege that Chesapeake used below-market sales prices to calculate royalty payments. The *Burkett* Plaintiffs-Intervenors make similar allegations in the *Burkett* Arbitration. Under the Royalty calculation methodology utilized by Chesapeake in the ordinary course of business, Plaintiffs and the Settlement Class Members have borne and/or in the future would bear, one hundred percent (100%) of Post-Production Costs on a pro rata basis, based on Chesapeake’s belief that the Gas produced or to be produced under the Pennsylvania Leases, both from existing wells and future wells, is in marketable form at the wellhead. Chesapeake denies Plaintiffs’ claims that such Royalty payment practice is improper and believes it paid Royalties consistent with the leases and Pennsylvania law.

C. Lead Class Counsel and Defendant engaged in arm’s-length negotiations in the interest of resolving this dispute. As part of the negotiation process, the Parties engaged in mediation before the Honorable Edward N. Cahn (Ret.), which included in-person mediation. In addition, Lead Class Counsel requested and Defendant provided electronic data, the gathering agreement, and other information regarding Plaintiffs’ claims, and Lead Class Counsel conducted due diligence concerning that data and information. The *Demchak* Plaintiffs and Defendant reached a class-wide settlement agreement and submitted that settlement agreement for court approval on August 30, 2013.

D. In April 2013, as discussions between the *Demchak* Plaintiffs and Defendant were underway, the *Burkett* Plaintiffs-Intervenors initiated class arbitration proceedings against Defendant in the *Burkett* Arbitration. Defendant also initiated the *Burkett* Litigation against the *Burkett* Plaintiffs-Intervenors.

E. After additional mediation discussions over the past several months, Plaintiffs—including both the *Demchak* Plaintiffs and the *Burkett* Plaintiffs-Intervenors—have concluded that it is in their best interests and the interests of the Settlement Class to enter into this Settlement Agreement to avoid the uncertainties of continued litigation, appeals, and arbitration, particularly complex litigation such as this. Defendant has agreed, despite its belief that it is not liable for the claims asserted and has good defenses thereto, and without admission of any wrongdoing of any kind or the ability of the *Burkett* Plaintiffs-Intervenors to proceed with a

“class” arbitration, to enter into this Settlement Agreement in order to avoid the time, expense and uncertainty of litigation and to further its relationship with its lessors.

F. While Defendant believes this Settlement Agreement can and should be approved to avoid the time, expense and uncertainty of litigation, in the event the Settlement Agreement does not receive final approval from the Court or is terminated according to its terms, Defendant expressly reserves any and all defenses available to it, including the right to challenge class certification and to insist on individual arbitration or litigation of each Plaintiff’s dispute and each Settlement Class Member’s dispute. Plaintiffs likewise reserve their right to proceed with all claims if the settlement is not approved.

G. In light of the investigations undertaken and conclusions reached by the Parties and discussed above, the Parties agree, subject to approval by the Court, to fully and finally compromise, settle, extinguish and resolve the Settled Claims and to dismiss with prejudice *Demchak* and the *Burkett* Arbitration under the terms and conditions set forth in this Settlement Agreement.

#### **AGREEMENT FOR SETTLEMENT PURPOSES ONLY**

This Settlement Agreement is for settlement purposes only. Neither the fact of nor any provision contained herein, nor any negotiations or proceedings related thereto, nor any action taken hereunder shall constitute, or be construed as, any admission of the validity of any claim or any fact alleged by Plaintiffs in *Demchak* or in the *Burkett* Arbitration, of any wrongdoing, fault, violation of law, breach of contract, or liability of any kind on the part of Defendant or any admission by Defendant of any claim or allegation made in any demand of, action against, or proceeding against Defendant, or as a waiver of any applicable defense, including, without limitation, any applicable statute of limitations. This Settlement Agreement and its exhibits shall not be offered or be admissible in evidence against Plaintiffs or Defendant or the Settlement Class Members in any action or proceeding in any forum for any purpose whatsoever, except any action or proceeding brought to enforce its terms.

#### **AGREEMENT**

In consideration of the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Plaintiffs, on behalf of themselves, and the *Demchak* Plaintiffs as the class representatives of the Settlement Class, and Defendant hereby contract, covenant and agree that the Settled Claims are fully resolved, settled, compromised, extinguished and dismissed on the merits and with prejudice, subject to the approval of the Court, on the following terms and conditions:

1. Definitions. When used in this Settlement Agreement, unless otherwise specifically indicated, the following terms shall have the respective meanings assigned to them in this paragraph 1:

1.1 “Administrative Costs” means expenses incurred in carrying out the terms of the Settlement Agreement, including fees and expenses of any notice experts or claims administrators who may present affidavits or testimony at the preliminary approval hearing and/or final fairness hearing; and fees and expenses of the Settlement Administrator in

administering and carrying out the terms of the Settlement Agreement, including expenses for printing and mailing of the Settlement Notice, post office box rental costs, responding to inquiries by persons receiving or reading the Settlement Notice, implementing the Plan of Administration, and costs of the Escrow Account. Administrative Costs shall not include Litigation Expenses or Attorneys' Fees or costs associated with calculating or distributing funds for Litigation Expenses or Attorneys' Fees.

1.2 "Attorneys' Fees" refers to any award of attorneys' fees requested by Lead Class Counsel and awarded by the Court.

1.3 "*Burkett* Plaintiffs-Intervenors" refers to Russell E. Burkett and Gayle Burkett.

1.4 "Class Counsel" is defined as follows:

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

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

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

Michelle R. O'Brien  
The O'Brien Law Group LLC  
3738 Birney Avenue  
Moosic, PA 18507

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

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

Jonathan Cuneo  
Cuneo Gilbert & LaDuca LLP  
507 C Street NE  
Washington, DC 20002

1.5 "Court" means the United States District Court for the Middle District of Pennsylvania.

1.6 "Defendant" means Chesapeake Appalachia, L.L.C.

1.7 "Defendant's Counsel" means the following attorney:

Daniel T. Donovan  
Kirkland & Ellis LLP  
655 15th Street, N.W., Ste 1200

Washington DC 20005-5793

1.8 “*Demchak*” means the civil action styled *Demchak Partners Limited Partnership, et al. v. Chesapeake Appalachia, L.L.C.*, on the docket of the United States District Court for the Middle District of Pennsylvania.

1.9 “*Demchak Plaintiffs*” refers to Demchak Partners Limited Partnership, James P. Burger, Jr., Barbara H. Burger, William A. Burke, II, Clara Burke, William A. Burke, III, Edward J. Burke, Donald G. Fuller, Karen M. Fuller, Randy K. Hemerly, Lamar R. King, Linda J. Schlick, and Janet C. Young.

1.10 “Effective Date” shall be the date when each and all of the following conditions have occurred:

1.10.1 The Settlement Agreement has been fully executed by all the Parties and their counsel;

1.10.2 The Preliminary Approval Order has been entered by the Court certifying a Settlement Class, granting preliminary approval of this Settlement Agreement, and approving the Settlement Notice;

1.10.3 The Court-approved Settlement Notice has been mailed as ordered by the Court;

1.10.4 The Court has approved and entered the Final Judgment, thereby approving this Settlement Agreement and dismissing the Settled Claims with prejudice; and

1.10.5 The Final Judgment becomes Final as defined in paragraph 1.14, below.

1.11 “Escrow Account” means the escrow account established under the Escrow Agreement.

1.12 “Escrow Agreement” means the escrow agreement between the Parties substantially conforming to the form attached hereto as Exhibit E.

1.13 “Excluded Member” means any person or entity who falls within the Settlement Class definition but who elects to be excluded from the Settlement Class and submits a valid Request for Exclusion.

1.14 “Final” means that (a) the Final Judgment is a final, appealable order; and (b) either (i) no appeal has been taken from the Final Judgment as of the date on which all times to appeal therefrom have expired, or (ii) an appeal or other review proceeding of the Final Judgment having been commenced, such appeal or other review is finally concluded and no longer is subject to review by any court, whether by appeal, petitions for rehearing or argument, petitions for rehearing en banc, petitions for writ of certiorari, or otherwise, and such appeal or other review has been finally resolved in such manner that affirms the Final Judgment in all material respects.

1.15 “Final Judgment” means the Final Judgment and Order of Dismissal to be entered by the Court substantially in the form attached hereto as Exhibit C upon final approval of the Settlement, as provided in paragraph 8 of this Settlement Agreement. It is understood and agreed that the Final Judgment shall have no *res judicata*, collateral estoppel, or other preclusive effect as to any claims other than the Settled Claims.

1.16 “Future Royalty Calculation Method” means the method of calculating Royalties on the production of Gas, as provided in paragraph 6 of this Settlement Agreement.

1.17 “Gas” means natural gas, including associated liquid hydrocarbons, that is not Processed Gas or Treated Gas.

1.18 “Incentive Award Payments” means the amount of any class representative incentive awards granted by the Court and paid pursuant to paragraph 5.

1.19 “Including” and “include(s)” mean “including or include(s), without limitation.”

1.20 “Initial Settlement Payment” means an amount of money equal to fifty-five percent (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.

1.21. “Intervenors’ Counsel” refers to the following attorneys:

Douglas A. Clark  
The Clark Law Firm  
1563 Main Street  
Peckville, PA 18452

Francis P. Karam  
Francis P. Karam, Esq. P.C.  
175 Varick Street  
New York, NY 10014

Gerard M. Karam  
Mazzoni, Karam Petorek &  
Valvano  
321 Spruce Street #201  
Scranton, PA 18503

Rachel Schulman  
Rachel Schulman, Esq. PLLC  
14 Bond Street, Suite 143  
Great Neck, NY 11021

1.22 “Lead Class Counsel” means the following attorneys:

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

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

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

1.24 “Litigation Expenses” means expenses incurred by Plaintiffs or Class Counsel in pursuing *Demchak*, the *Burkett* Arbitration, and/or negotiating, preparing or

presenting to the Court the Settlement Agreement, including expert witness fees, consultant fees, investigation expenses, deposition expenses, copying charges, long distance telephone calls, expenses for meeting with and communicating with clients, fax charges, computer research charges, travel expenses, court costs, arbitrators' fees, and mediator fees.

1.25 "Market Enhancement Clause" means Royalty payment clauses or provisions in an oil and gas lease that preclude the lessee from deducting Post-Production Costs incurred to transform leasehold gas into marketable form or make such gas ready for sale or use but permit the lessee to deduct a pro rata share of Post-Production Costs incurred after the gas is marketable or ready for sale or use. Such clauses are often entitled or referred to as "Market Enhancement Clauses," "MECs" or "Ready for Sale or Use Clauses."

1.26 "Parties" means Plaintiffs and Defendant.

1.27 "Pennsylvania" means the Commonwealth of Pennsylvania.

1.28 "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.

1.29 "Plaintiffs" means the named plaintiffs in *Demchak*, and includes both the *Demchak* Plaintiffs and the *Burkett* Plaintiffs-Intervenors.

1.30 "Plan of Administration" means the Plan of Administration and Distribution as set forth in Exhibit D hereto, describing the specific procedures and processes for the administration, allocation, and distribution of the Settlement Funds.

1.31 "Plan of Allocation" means the methodology pursuant to which the Settlement Funds will be allocated among the Settlement Class Members as provided in paragraph 1 of the Plan of Administration.

1.32 "Post-Production Costs" means costs for gathering, compressing, transporting, or dehydrating Gas which are incurred before the interconnect point of a Transmission Pipeline. Post-Production Costs does not include transportation costs incurred after Gas has entered the interconnect point of a Transmission Pipeline.

1.33 "Post-Production Services" means the services obtained and/or facilities utilized when Post-Production Costs are incurred.

1.34 "Preliminary Approval Order" means the order entered by the Court pursuant to paragraph 3 below and in the form attached as Exhibit B, preliminarily approving the Settlement, approving the form and manner of the Settlement Notice, and setting a date certain for the settlement fairness hearing.

1.35 "Processed Gas" means natural gas that is processed for the recovery of natural gas liquids therefrom in a gas processing, absorption, stripping or similar plant with resulting natural gas liquids that are separately marketed and sold. Natural gas is not Processed



Gas solely because it is passed through a mechanical separator for the removal of liquid hydrocarbons at or near a well.

1.36 “Request for Exclusion” means a timely and properly submitted written request to be excluded from the Settlement Class. A request for exclusion is not timely and properly submitted unless it is in writing, is signed by the person or entity requesting exclusion, is mailed in a postage-paid envelope to the Settlement Administrator, postmarked no later than the due date established by the Court in the Preliminary Approval Order, and otherwise complies with the instructions contained in the Settlement Notice. The request for exclusion must be personally signed by any natural person requesting exclusion; it cannot be signed by that person’s lawyer or other agent, unless the person is incapacitated. Requests for exclusion may not be made on a class or representative basis. If the entity requesting exclusion is a corporation, partnership, or other legal entity, the request must be personally signed by a duly-authorized officer, partner, or managing agent. A request for exclusion is also not properly submitted or valid if it requests a qualified or partial exclusion or any other qualification.

1.37 “Royalty” means lessor royalty interests, and does not include overriding royalty interests.

1.38 “Settled Claims” means any and all claims and causes of action related to the calculation, amount, payment, and/or reporting of Royalty payments made by Chesapeake and/or its Affiliates (as defined in paragraph 6.8), either on its own working interest share or on behalf of other working interests, on Gas produced pursuant to a Pennsylvania Lease, including any and all claims and causes of action that were alleged in *Demchak* or in the *Burkett* Arbitration related to the calculation, amount, payment, and/or reporting of such Gas Royalty payments. The Settled Claims include, but are not limited to, claims for breach of contract, fraud, conspiracy, breach of implied duties and covenants, unjust enrichment, accounting, and injunctive relief. The Settled Claims also include (i) challenges to the manner in which sales are made to an affiliated entity, if any, (ii) claims that formation, sale or disposition of assets or equity interests by Chesapeake and/or its Affiliates (as defined in paragraph 6.8) impacted Royalty payments, and (iii) any other challenges to the reasonableness of Post-Production Cost deductions. The Settled Claims do not include claims for royalties held in suspense, claims for the failure to pay royalties due at all, claims based on errors in determining ownership interests, or claims for mathematical or calculation errors in determining volumes, prices, values, or decimal interests. The Settled Claims also do not include any claims or causes of action whatsoever that Plaintiffs and the Settlement Class Members have or may have against persons and entities other than the Defendant-Releasees as defined in paragraph 12.

1.39 “Settlement” means the settlement embodied in this Settlement Agreement and the Final Judgment.

1.40 “Settlement Administrator” means the person or persons agreed upon by the Parties to administer the Escrow Account for federal and state income tax purposes, and to administer the Settlement in accordance with the provisions of this Agreement.

1.41 “Settlement Agreement” or “Agreement” means this Settlement Agreement, including all exhibits hereto.

1.42 “Settlement Class” means all individuals and entities, including their predecessors and successors-in-interest, who are lessor parties to 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. The Settlement Class excludes (a) Chesapeake, Chesapeake’s 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 this Agreement, and (iii) whose lease has been sold, transferred, and/or assigned by Chesapeake in its entirety as of the date of this Agreement; (e) any person or entity who has previously released Chesapeake from liability concerning or encompassing any or all Settled Claims; (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.

1.43 “Settlement Class Member” means every member of the Settlement Class who does not submit a valid Request for Exclusion.

1.44 “Settlement Funds” means the total of the Initial Settlement Payment and the Transition Settlement Payment.

1.45 “Settlement Notice” means the notice substantially in the form attached as Exhibit A, or such other comparable notice(s) approved by the Court, which is to be given to the Settlement Class as provided in paragraph 4 below. The Settlement Notice as determined to be appropriate and approved by the Court and meeting the criteria in paragraph 4, below, shall be regarded as and is the best notice practicable under the circumstances.

1.46 “Transition Settlement Payment” means an amount of money equal to thirty-four percent (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 month in which the Effective Date occurs.

1.47 “Treated Gas” means natural gas that is treated in a plant or facility designed for the removal of hydrogen sulfide, carbon dioxide, or other contaminants. Natural gas is not Treated Gas solely because it is passed through a mechanical separator for the removal of liquid hydrocarbons, water, or contaminants at or near a well.

1.48 “Transmission Pipeline” means a large-diameter natural gas transmission or transportation pipeline (interstate or intrastate). The term “Transmission Pipeline” does not include field facilities or field gathering pipelines or systems. An example of an interstate Transmission Pipeline is the interstate pipeline owned by Tennessee Gas Pipeline Company, and an example of an intrastate Transmission Pipeline is the intrastate pipeline owned and operated by PVR NEPA Gas Gathering, L.L.C., commonly referred to as the Wyoming Pipeline.

2. Best Efforts to Garner Settlement’s Approval. The Parties, Class Counsel, and Intervenor’s Counsel agree to recommend that the Court approve the Settlement and further

agree to undertake their best efforts, including all steps and efforts contemplated by this Settlement Agreement and any other reasonable steps and efforts that may be necessary or appropriate to implement the terms of this Settlement Agreement and to garner Final Approval. The Parties agree that they will not take any steps to suggest or recommend that members of the Settlement Class should opt out of or elect to be excluded from this Settlement Agreement.

3. Motion for Preliminary Approval. Plaintiffs shall submit to the Court a renewed motion for preliminary approval of the Settlement, which shall include a request for entry of the Preliminary Approval Order in the form attached hereto as Exhibit B and a request to stay all proceedings in *Demchak* and in the *Burkett* Arbitration until the Court has approved this Settlement Agreement and entered the Final Judgment. Plaintiffs shall provide said motion to Defendant in advance of filing to ensure consistency with this Settlement Agreement. It is expressly understood that by entering into this Settlement Agreement and by filing a paper supporting Plaintiffs' renewed motion for preliminary approval of the Settlement, Defendant does so for settlement purposes only. Defendant expressly reserves the right to oppose certification of a litigation class in the event the Court denies Plaintiffs' Motion for Preliminary Approval. The renewed motion for preliminary approval also shall include the proposed Settlement Notice in the form attached hereto as Exhibit A.

4. Class Notice. Within thirty (30) days after the Court's entry of the Preliminary Approval Order or a date otherwise established by the Court, the Settlement Administrator shall provide the Settlement Notice to the Settlement Class in the manner approved by the Court, which Settlement Notice shall include mailing the Settlement Notice by first-class mail, postage pre-paid, to individuals and entities who are in the Settlement Class and for whom Defendant has addresses available from its business records. The Parties reserve the right to extend or otherwise amend this timeframe as set forth in this Settlement Agreement. To the extent that any Settlement Notices are returned because an individual or entity who is in the Settlement Class does not reside at the address provided, the Settlement Administrator shall take reasonable steps to obtain a valid address and re-mail the Settlement Notice. Defendant shall send a timely and proper notice(s) of this Settlement to all appropriate federal and state officials as required by the Class Action Fairness Act of 2005 ("CAFA"), including under 28 U.S.C. §1715, if necessary.

5. Settlement Funds and Administrative Costs.

5.1 Settlement Funds. Defendant agrees to deposit the Settlement Funds into the Escrow Account within fifteen (15) business days after the Effective Date. When Defendant makes its deposit of the Settlement Funds, Defendant shall simultaneously furnish to Lead Class Counsel an electronic spreadsheet(s) and other documentation reflecting Defendant's calculation of the Settlement Funds and the underlying basis thereof.

5.1.1 Within twenty (20) business days after the Effective Date, the Settlement Administrator shall pay from the Settlement Funds to Lead Class Counsel (or to their designee(s)) the Attorneys' Fees and Litigation Expenses awarded by the Court, and shall pay from the Settlement Funds to Plaintiffs the Incentive Award Payment(s) awarded by the Court, if any.

5.1.2 Defendant shall provide such records and information, including electronic data, in its possession, custody, or control, as may be reasonably necessary for the Settlement Administrator to prepare a list of the members of the Settlement Class, mail the Settlement Notice to the members of the Settlement Class, allocate the Settlement Funds among the Settlement Class Members in accordance with the Plan of Allocation, and otherwise properly administer the Settlement in accordance with the Plan of Administration set forth in Exhibit D. Payments of the Settlement Funds to and among the Settlement Class Members, net of Litigation Expenses, Attorneys' Fees, Incentive Award Payments, and Administrative Costs, if any, shall be made in accordance with the Plan of Administration set forth in Exhibit D.

5.2. Administrative Costs. In addition to the Settlement Funds, Defendant shall be obligated to pay Administrative Costs up to Fifty Thousand Dollars (\$50,000.00). Administrative Costs, if any, in excess of Fifty Thousand Dollars will be paid from the Settlement Funds. Defendant shall pay such Administrative Costs as they are incurred up to \$50,000.00 and shall remit payment(s) to the Settlement Administrator for same within thirty (30) business days from its receipt of an invoice(s) from the Settlement Administrator. Before Administrative Costs exceed Fifty Thousand Dollars, the Settlement Administrator shall inform the Parties and the Court that the Settlement Administrator believes Administrative Costs will exceed Fifty Thousand Dollars. The Administrative Costs paid by Defendant shall not be reimbursed to Defendant in the event either Plaintiffs or Defendant provide notice to the other Party that they are withholding consent of any modification of the Settlement Agreement or Final Judgment imposed, or made a condition to approval, by any Court, nor in the event that this Settlement Agreement is rejected by the Court (including any appellate court). However, in the absence of an Effective Date, Defendant is nonetheless obligated to pay those Administrative Costs incurred up to Fifty Thousand Dollars. This provision shall survive any termination of this Settlement Agreement and is binding and effective even in the absence of an Effective Date.

5.3 No Further Payment Obligations. Upon paying the Settlement Funds and any Administrative Costs required under this paragraph 5 and under the Plan of Administration attached as Exhibit D, Defendant shall have no further payment obligations to the Settlement Class Members, Class Counsel, Intervenor's Counsel or any other person whatsoever under this Settlement Agreement.

5.4 No Obligations for Fees. Defendant shall have no obligation whatsoever to pay any Attorneys' Fees or Litigation Expenses of Plaintiffs, Class Counsel, Intervenor's Counsel, or Settlement Class Members, or any Incentive Award Payments to Plaintiffs, any and all of whom shall look exclusively to the Court for an award of Attorneys' Fees, Litigation Expenses, or Incentive Award Payments from the Settlement Funds and/or from the future economic benefits the Settlement Class Members realize under the Future Royalty Calculation Method.

6. Future Royalty Calculation Method. Under the Royalty calculation methodology utilized by Chesapeake in the ordinary course of business, Plaintiffs and the Settlement Class Members have borne and/or in the future would bear one hundred percent (100%) of Post-Production Costs on a pro rata basis. In exchange for the consideration set forth in this Agreement, including but not limited to the Release set forth in paragraph 12, Chesapeake agrees that the Final Judgment shall modify how Chesapeake and/or its Affiliates calculate and pay Gas

Royalties to the Settlement Class Members and their successors and assigns in the month after the Effective Date occurs pursuant to the Settlement Class Members' Pennsylvania Leases. Therefore, the Parties agree that the Final Judgment shall specify that the following provisions apply to the Settlement Class Members' Pennsylvania Leases beginning on the first day of the month after the Effective Date occurs and continuing so long thereafter as Chesapeake is paying Royalties to Settlement Class Members and their successors and assigns on Gas produced pursuant to the Pennsylvania Leases.

6.1 To the extent Chesapeake and/or its Affiliates incur Post-Production Costs, Settlement Class Members will no longer bear one hundred percent (100%) of those Post-Production Costs on a pro rata basis but will, instead, bear only sixty-six percent (66%) of those Post-Production Costs on a pro rata basis actually incurred by Chesapeake and/or its Affiliates.

6.2 If Post-Production Services are provided by a third party, then the Post-Production Costs subject to deduction hereunder shall be the Post-Production Costs actually charged by the third party to Chesapeake and/or its Affiliates and paid by Chesapeake and/or its Affiliates to the third party on an arm's-length basis. If Post-Production Services are provided by Chesapeake and/or its Affiliates, then the Post-Production Costs for such services subject to deduction hereunder shall include only Chesapeake's and/or its Affiliates' actual and reasonable costs for such services.

6.3 Settlement Class Members will continue to bear one hundred percent (100%), on a pro rata basis of the costs actually incurred, directly or indirectly, by Chesapeake and/or its Affiliates downstream of the interconnect point with a Transmission Pipeline, including for transportation costs on the Transmission Pipeline, unless individual leases expressly provide otherwise.

6.4 It is acknowledged that some volumes of Gas produced by Chesapeake under the Pennsylvania Leases may be used as fuel, lost, or otherwise unaccounted for by a provider of Post-Production Services ("FLU Volumes"). Chesapeake shall not deduct any FLU Volumes as a Post-Production Cost for the Pennsylvania Leases but shall, instead, pay Gas Royalties on one hundred percent (100%) of the FLU Volumes, except as otherwise permitted by a Settlement Class Member's Pennsylvania Lease.

6.5 Chesapeake shall not deduct or reflect as deductions, directly or indirectly, except as expressly allowed by a lease: (a) any marketing fees, (b) any costs for production facilities, or (c) any costs for field separators, flow lines, or other facilities or operations located between the wellhead and the point at which Gas enters a gathering system.

6.6 The Final Judgment shall modify only how Chesapeake and/or its Affiliates calculate and pay Royalties on Chesapeake's share of Gas production and how Chesapeake pays Royalties on behalf of any other person or entity holding a lessee/working interest under a Pennsylvania Lease. The Final Judgment shall not modify how any other entity calculates and/or pays Royalties pursuant to the Pennsylvania Leases.

6.7 Except as specified herein and in the Final Judgment, the Future Royalty Calculation Method shall not affect any other provisions of a Pennsylvania Lease. The Parties

expressly agree that the Future Royalty Calculation Method applies notwithstanding any current or future law, statute, judicial decision, or rule regulating the payment of Royalties in Pennsylvania.

6.8 For the purposes of only paragraph 1.38, paragraph 6, and the subparagraphs of paragraph 6, "Chesapeake and/or its Affiliates" refers to Chesapeake Appalachia, L.L.C., Chesapeake Operating, Inc., Chesapeake Operating, L.L.C., Chesapeake Energy Marketing, Inc., and Chesapeake Energy Marketing, L.L.C.

7. Walk-Away Rights. In the event that there are Excluded Members who, when combined, would be allocated five percent (5%) or more of the Initial Settlement Payment, Defendant shall have the right, in its sole and absolute discretion, within twenty (20) calendar days after the opt-out deadline set by the Court, to notify Lead Class Counsel in writing that Defendant has elected to dissolve this Settlement Agreement and withdraw from the Settlement. In the event Defendant provides such notification and thereby exercises its walk-away rights hereunder, the Parties shall have no further obligations under this Settlement Agreement whatsoever.

8. Order, Final Judgment, and Dismissal. If the Court finally approves this Settlement Agreement, then the Parties jointly and promptly shall seek entry of the Final Judgment in the form attached hereto as Exhibit C. The Parties intend that the language in the Final Judgment shall conform to the language in this Settlement Agreement, and the Parties will modify Exhibit C if necessary to ensure such conformity.

9. Burkett Arbitration.

9.1. Defendant and the *Burkett* Plaintiffs-Intervenors agree to vacatur of the January 28, 2014 and September 11, 2014 orders issued by the arbitration Panel in the *Burkett* Arbitration. Within five days of execution of this Settlement Agreement (or if the fifth day falls on a weekend or a federal holiday, then on the next business day thereafter), Defendant and the *Burkett* Plaintiffs-Intervenors shall jointly submit a mutually-agreed upon form of vacatur to the arbitration Panel. Consistent with paragraph 9.4, the *Burkett* Plaintiff-Intervenors and Defendant agree to reinstate the orders if the Settlement Agreement does not become Final.

9.2. The *Burkett* Plaintiffs-Intervenors further agree that within five business days of the Effective Date of this Settlement Agreement (or if the fifth day falls on a weekend or a federal holiday, then on the next business day thereafter), the *Burkett* Plaintiffs-Intervenors shall voluntarily dismiss the *Burkett* Arbitration, with prejudice. In the interim, to the extent the arbitration Panel orders briefing or other action in the *Burkett* Arbitration, Defendant and the *Burkett* Plaintiffs-Intervenors agree to stay and shall make their best efforts to stay the *Burkett* Arbitration pending this Settlement Agreement becoming Final.

9.3. Defendant further agrees that within seven business days of the Effective Date of this Settlement Agreement (or if the seventh day falls on a weekend or a federal holiday, then on the next business day thereafter), Defendant shall voluntarily dismiss the *Burkett* Litigation and any appeals related thereto. In the interim, to the extent a court orders briefing or other action in the *Burkett* Litigation, and any appeals related thereto, Defendant and the *Burkett*

Plaintiffs-Intervenors shall make their best efforts to stay the *Burkett* Litigation pending this Settlement Agreement becoming Final.

9.4. In the event this Settlement Agreement does not become Final, nothing in this paragraph 9 and its sub-sections shall preclude either Defendant or the *Burkett* Plaintiffs-Intervenors from seeking to re-initiate the *Burkett* Arbitration or the *Burkett* Litigation, or any appeals related thereto.

10. Conditions Precedent to Agreement's Effect. This Settlement Agreement shall become final, binding and effective upon the Effective Date, and not before then.

11. Modifications. Any modification to this Settlement Agreement or its exhibits, whether modified by the Parties or any court, must be approved in writing signed by the Parties or their authorized representatives to be binding.

12. Release.

12.1.1 As of the Effective Date, Plaintiffs and the Settlement Class Members, and each of them, for themselves and their respective heirs, agents, officers, directors, shareholders, employees, consultants, joint venturers, partners, members, legal representatives, successors and assigns, hereby expressly agree that they fully and forever release and discharge Defendant, and its parents, present and former affiliates, and subsidiaries, and their respective predecessors, successors, assigns, present, former and future officers, directors, employees, agents, any third party payment processors, independent contractors, successors, assigns, attorneys and legal representatives (collectively, "Defendant Releasees") from any and all of the Settled Claims, except for the rights and obligations created by this Settlement Agreement, and covenant and agree that they will not commence, participate in, prosecute or cause to be commenced or prosecuted against the Defendant Releasees any action or other proceeding based upon any of the Settled Claims released pursuant to this Settlement Agreement. Plaintiffs and the Settlement Class Members hereby further agree that they fully and forever release and discharge all working interest owners on whose behalf Defendant has paid or will pay Royalties pursuant to Pennsylvania Leases from any and all of the Settled Claims, but do so only to the limited extent of Defendant's payments of Gas Royalties on behalf of such working interest owners.

12.1.2 The Parties acknowledge and agree that the relief afforded under this Settlement Agreement fully and completely compromises the Settlement Class Members' claims for relief in *Demchak* and in the *Burkett* Arbitration.

12.1.3 This Release also covers, without limitation, any and all claims for Attorneys' Fees, Incentive Award Payments, costs, or disbursements incurred by Class Counsel or any other counsel representing Plaintiffs or Settlement Class Members or by Plaintiffs or the Settlement Class Members, or any of them, in connection with or related in any manner to *Demchak* and the *Burkett* Arbitration, the settlement of *Demchak* and the *Burkett* Arbitration, the administration of this Settlement, the implementation of this Settlement, and/or the Settled Claims except to the extent otherwise specified in the Settlement Agreement.

12.2 No Release of Non-Parties. Nothing herein shall operate or be construed to release any claims the Parties and Settlement Class Members may have against any person or entity who is not a Party hereto except as provided for in sub-paragraph 12.1.1, above. Settled Claims do not include claims that Defendant has not calculated, paid, and/or reported Royalty payments in compliance with the Future Royalty Calculation Methodology contained in paragraph 6 of the Settlement Agreement for the time period following the Effective Date. Moreover, to the extent a Pennsylvania Lease provides an audit or accounting right, this Agreement does not preclude the exercise of such audit or accounting right regarding Royalty payments made after the Effective Date.

13. Authority and Capacity to Execute. Each person signing this Settlement Agreement on behalf of a Party represents that such signatory has the full and complete power, authority and capacity to execute and deliver this Settlement Agreement and any documents to be executed pursuant hereto, that all formalities necessary to authorize execution of this Settlement Agreement so as to bind the principal, limited liability company, trust, partnership or corporation have been undertaken, and that upon the occurrence of the Effective Date, this Settlement Agreement will constitute the valid and legally binding obligation of each such Party hereto, enforceable by and against that Party in accordance with its terms.

14. Successors and Assigns. This Settlement Agreement is binding upon and will inure to the benefit of each of the Parties hereto and their respective agents, officers, directors, shareholders, employees, consultants, heirs, devisees, legal representatives, attorneys, successors and assigns.

15. Construction. The language of all parts of this Settlement Agreement and its exhibits will in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any Party. All Parties have participated in the preparation of this Settlement Agreement and its exhibits and no presumptions or rules of interpretation based upon the identity of the Party preparing or drafting this Settlement Agreement or its exhibits, or any part thereof, shall be applied or invoked.

16. Disputed Claims. It is understood that this Settlement Agreement constitutes a compromise of highly disputed claims, and that neither (a) the consideration provided for herein, (b) the entry into the Settlement Agreement or stipulation to the Final Judgment, nor (c) any recital contained herein, will be construed, interpreted, or admissible as an admission of liability by or on behalf of any Party hereto, all such liability being expressly denied, regardless of whether this Settlement Agreement becomes Final. In the event that the Settlement Agreement does not become Final, then this Settlement Agreement shall be of no force or effect, and the Settlement Agreement and any and all negotiations, documents and discussions associated with it shall be without prejudice to the rights of any Party, shall not be deemed or construed to be an admission or evidence of any liability or wrongdoing by Defendant or of the truth of any of the claims or allegations contained in the complaint or any other pleading, and evidence thereof shall not be discoverable or used directly or indirectly, in any way, whether in *Demchak*, the *Burkett* Arbitration, or in any other action or proceeding. The Parties expressly reserve all of their respective rights, claims and defenses if this Settlement Agreement does not become final.

The Parties agree that the Settlement Class will be certified for settlement purposes only, that this Settlement shall not be construed to represent either an assertion or concession that such



a class would be manageable or appropriately certified for litigation, arbitration or trial, and in the event this Settlement Agreement is not given final approval or this Settlement is not finalized for any reason whatsoever, the Parties acknowledge and agree that Defendant remains free to challenge whether this proposed class or any other proposed classes are properly certifiable in this litigation, the *Burkett* Arbitration, or anywhere else, and Plaintiff shall not argue that anything in this Settlement Agreement limits Defendant's right to do so.

The Parties further agree that by entering into this Settlement Agreement and seeking Preliminary Approval and/or Final Approval, neither Party waives or in any way diminishes its right to demand that any disputes arising from the Pennsylvania Leases be decided in individual, binding arbitration pursuant to the arbitration clause, if any, in any given lease or by litigation. Moreover, neither the fact of this Settlement Agreement nor the fact that the Parties are seeking court approval of this Settlement should be construed that the Parties or the Pennsylvania Leases have agreed to or contemplated that disputes as to royalty payments may be resolved on a class-wide basis in arbitration or otherwise.

17. Survival of Covenants and Representations. All covenants and representations contained in this Settlement Agreement are contractual in nature, are not mere recitals, and will survive the execution of this Settlement Agreement.

18. Miscellaneous.

18.1 Governing Law. This Settlement Agreement is and will be governed by the laws of the Commonwealth of Pennsylvania.

18.2 Severability. In the event that a court of competent jurisdiction enters a final judgment or decision holding invalid any nonmaterial provision of this Settlement Agreement, the remainder of this Settlement Agreement will be fully enforceable. If a court of competent jurisdiction holds invalid or materially modifies any material provision of this Settlement Agreement, including but not limited to the provisions set forth in paragraph 6, either Party shall be entitled to dissolve this Settlement Agreement and withdraw from the Settlement.

18.3 Counterparts. This Settlement Agreement may be executed by facsimile or electronic signatures and in counterparts, all of which will have full force and effect between the Parties, subject to all conditions precedent and subsequent set forth herein.

18.4 Integration. This Settlement Agreement and its exhibits constitute the entire agreement of the Parties and a complete merger of all prior negotiations and agreements.

18.5 Headings. The headings of the paragraphs and subparagraphs herein are intended solely for convenience or reference and will not control or influence the meaning or interpretation of any of the provisions of this Settlement Agreement.

18.6 Gender and Number. Whenever applicable, the pronouns designating the feminine, masculine and neuter will equally apply to the feminine, masculine and neuter genders; the singular will include the plural and the plural will include the singular.

18.7 Fees and Costs.

18.7.1 Defendant shall bear its own costs, expenses, and attorneys' fees incurred in connection with *Demchak*, the *Burkett* Arbitration, this Settlement, and performance of the obligations imposed hereunder. Defendant shall have no obligation to pay the Litigation Expenses, Attorneys' Fees, or Incentive Award Payments of Plaintiffs, any Settlement Class Member, Class Counsel, or any other counsel or representative.

18.7.2 Class Counsel will request reimbursement of Litigation Expenses and an award of Attorneys' Fees to be paid from the common fund created by this Settlement for the benefit of the Settlement Class Members, including from the Settlement Funds (net of Litigation Expenses, Incentive Award Payments, and Administrative Costs, if any) and from the future economic benefits that Settlement Class Members realize under the Future Royalty Calculation Method. Class Counsel may also request Court approval for the payment from the Settlement Funds of Incentive Award Payments to Plaintiffs in an amount not to exceed \$5,000.00 per Plaintiff. Defendant will take no position on the amounts of any requests for reimbursement of Litigation Expenses or Attorneys' Fees to Class Counsel or Incentive Award Payments to Plaintiffs, provided, however, that the request for Litigation Expenses and Attorneys' Fees shall not exceed 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.

18.7.3 If Attorneys' Fees are awarded by the Court to Class Counsel on the future economic benefits the Settlement Class Members realize under the Future Royalty Calculation Method (i.e., the difference between deductions of 100% and deductions of 66% of Post-Production Costs), then Chesapeake agrees to make an offset of such awarded fees, if any, from the Settlement Class Members' Gas Royalty payments as directed by the Court, provided however that Chesapeake agrees to make such an offset no more than once a year for a total of three years from the Effective Date. Class Counsel shall be responsible for filing a motion requesting an order for the offset and shall be responsible for calculating the amount of the offset for each Settlement Class Member and for supplying the Court with those amounts. Chesapeake will furnish information to Class Counsel from which the offset may be calculated but will have no obligations regarding the calculation of the offset. The Court's order shall specify the month in which the offset is to be implemented by Chesapeake and the amount of the offset for each Settlement Class Member, and provide that Chesapeake has no liability to the Settlement Class Member or to any assignee or successor of the Settlement Class Member regarding the offset or the application of the offset based on changes to ownership interests or adjustments to well or unit interests. After the Court has entered the order, Chesapeake shall charge the amount of the offset to each Settlement Class Member (or their assignee or successor) as set forth in the order in a single charge assessed against the Settlement Class Member's next Gas Royalty payment (or payments, if necessary, to fully recoup the offset). After the amount of the offset has been recouped from each Settlement Class Member, Chesapeake shall pay the total offset amount in a single payment to the Settlement Administrator within thirty (30) days. The Settlement Administrator shall distribute the payment to Class Counsel within ten (10) business days thereafter.

18.8 Extensions of Time. The Parties reserve the right, subject to the Court's approval, to mutually agree to any reasonable extension of time that might be necessary to carry out any of the provisions of this Settlement Agreement.

18.9 Confirmatory Discovery. Class Counsel may seek and obtain reasonable additional information and discovery regarding the information that forms the basis of this Agreement. Any such discovery shall be completed prior to the Fairness Hearing, provided that any such discovery requests are made forty-five (45) days before the Fairness Hearing.

18.10 Notice. All notices called for by this Settlement Agreement shall be sent to Lead Class Counsel on behalf of Plaintiffs, all Settlement Class Members, and all Class Counsel; and to Defendant's Counsel on behalf of Defendant. Such notice shall become effective when placed in the United States mail, prepaid first-class postage affixed, addressed to the addresses listed in paragraph 1 above. It is the responsibility of each Party to notify all other Parties of any change in any of these addresses. The Party giving notice shall make reasonable efforts also to provide copies of any notices by electronic mail or telephonic facsimile at the same time notice is placed in the mail.

18.10.1 Class Counsel, or any person acting on behalf of Class Counsel, shall not publish any form of written notice except as provided for herein without prior written approval of the content of such notice by Defendant, other than any information provided to any Court in furtherance of this Settlement Agreement.

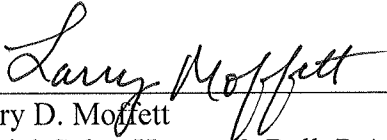
18.10.2 It shall be the responsibility of the Settlement Administrator and Class Counsel, or their designees, to respond to all inquiries from members of the Settlement Class.

18.10.3 Plaintiffs agree that they shall not elect or seek to opt out of or exclude themselves from the Settlement Class.

18.10.4 Plaintiffs, Class Counsel, Intervenor's Counsel, and Defendant hereby agree not to initiate, nor respond to, any communications with the media or press, on the Internet, or in any public forum, orally or in writing, that relate to this Settlement, *Demchak*, or the *Burkett* Arbitration that could be viewed to cast Plaintiffs, Class Counsel, Intervenor's Counsel, or Defendant in an unfavorable light or otherwise be inconsistent with the Settlement Notice, the Settlement Agreement, and Court papers filed by the Parties in connection with the Settlement Agreement.

AGREED TO AND DATED AS OF THE 18<sup>th</sup> DAY OF DECEMBER, 2014.

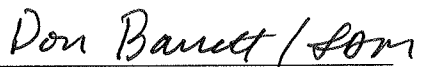
**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**



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 St, Ste 500  
Philadelphia, PA 19106

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



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

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

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

**FOR WILLIAM A. BURKE, III**

**FOR EDWARD J. BURKE**

**FOR DONALD G. FULLER &  
KAREN M. FULLER**

**FOR RANDY K. HEMERLY**

**FOR LAMAR R. KING**

**FOR LINDA J. SCHLICK**

**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE 19<sup>th</sup> DAY OF DECEMBER, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
*Charles E. Schaffer* *ul p/m m/j m*  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

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

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

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

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF DECEMBER, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

*Charles J. LaDuca by [signature]*  
\_\_\_\_\_  
Charles J. LaDuca  
Cuneo Gilbert & LaDuca, LLP  
8120 Woodmont Avenue  
Suite 810  
Bethesda MD 20814

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

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

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

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

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF DECEMBER, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

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

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

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

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**



Michelle R. O'Brien  
The O'Brien Law Group LLC  
3738 Birney Avenue  
Moosic, PA 18507

---

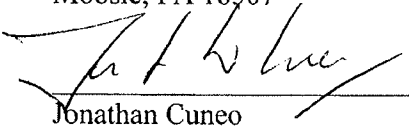
Jonathan Cuneo  
Cuneo Gilbert & LaDuca, LLP  
507 C Street NE  
Washington, DC 20002

CLASS COUNSEL AND COUNSEL FOR  
*DEMCHAK* PLAINTIFFS



---

Michelle R. O'Brien  
The O'Brien Law Group LLC  
3738 Birney Avenue  
Moosic, PA 18507



---

Jonathan Cuneo  
Cuneo Gilbert & LaDuca, LLP  
507 C Street NE  
Washington, DC 20002

CLASS COUNSEL AND COUNSEL FOR  
*DEMCHAK* PLAINTIFFS

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF December, 2014.

APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:

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

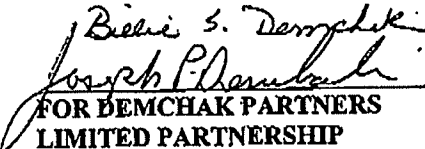
\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

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

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

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

DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:

  
\_\_\_\_\_  
FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP

\_\_\_\_\_  
FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER

\_\_\_\_\_  
FOR WILLIAM A. BURKE, II &  
CLARA BURKE

\_\_\_\_\_  
FOR WILLIAM A. BURKE, III

\_\_\_\_\_  
FOR EDWARD J. BURKE

\_\_\_\_\_  
FOR DONALD G. FULLER &  
KAREN M. FULLER

\_\_\_\_\_  
FOR RANDY K. HEMERLY

\_\_\_\_\_  
FOR LAMAR R. KING

\_\_\_\_\_  
FOR LINDA J. SCHLICK

\_\_\_\_\_  
FOR JANET C. YOUNG

AGREED TO AND DATED AS OF THE 10 DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

---

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 St, Ste 500  
Philadelphia, PA 19106

---

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

---

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

---

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

---

**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

*James P. Burger Jr.*  
*Barbara H. Burger*

---

**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

---

**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

---

**FOR WILLIAM A. BURKE, III**

---

**FOR EDWARD J. BURKE**

---

**FOR DONALD G. FULLER &  
KAREN M. FULLER**

---

**FOR RANDY K. HEMERLY**

---

**FOR LAMAR R. KING**

---

**FOR LINDA J. SCHLICK**

---

**FOR JANET C. YOUNG**

Bill Burke

570-833-5617

p.2

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

\_\_\_\_\_  
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 St, Ste 500  
Philadelphia, PA 19106

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

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

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
*William A. Burke II Clara Burke*  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF December, 2014.

APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:

DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:

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

\_\_\_\_\_  
FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER

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

\_\_\_\_\_  
FOR WILLIAM A. BURKE, II &  
CLARA BURKE

\_\_\_\_\_  
*William A. Burke III*  
FOR WILLIAM A. BURKE, III

\_\_\_\_\_  
*Edward J. Burke*  
FOR EDWARD J. BURKE

\_\_\_\_\_  
*Donald G. Fuller Karen M. Fuller*  
FOR DONALD G. FULLER &  
KAREN M. FULLER

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

\_\_\_\_\_  
FOR RANDY K. HEMERLY

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

\_\_\_\_\_  
FOR LAMAR R. KING

\_\_\_\_\_  
FOR LINDA J. SCHLICK

\_\_\_\_\_  
FOR JANET C. YOUNG

12/09/2014 11:50

16106816156

WEST END PRINTING

PAGE 01

AGREED TO AND DATED AS OF THE 9<sup>th</sup> DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

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

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
  
**FOR RANDY K. HEMERLY**

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

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE \_\_\_\_ DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

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

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

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

  
\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**

AGREED TO AND DATED AS OF THE 10 DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

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

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
*Linda J. Schlick*  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
**FOR JANET C. YOUNG**



AGREED TO AND DATED AS OF THE 9 DAY OF December, 2014.

**APPROVED BY CLASS COUNSEL  
AND COUNSEL FOR THE  
DEMCHAK PLAINTIFFS:**

**DEMCHAK PLAINTIFFS, FOR  
THEMSELVES AND ON BEHALF OF  
THE SETTLEMENT CLASS:**

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

\_\_\_\_\_  
**FOR DEMCHAK PARTNERS  
LIMITED PARTNERSHIP**

\_\_\_\_\_  
Charles E. Schaffer  
Levin, Fishbein, Sedran & Berman  
510 Walnut St, Ste 500  
Philadelphia, PA 19106

\_\_\_\_\_  
**FOR JAMES P. BURGER, JR. &  
BARBARA H. BURGER**

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, II &  
CLARA BURKE**

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

\_\_\_\_\_  
**FOR WILLIAM A. BURKE, III**

\_\_\_\_\_  
**FOR EDWARD J. BURKE**

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

\_\_\_\_\_  
**FOR DONALD G. FULLER &  
KAREN M. FULLER**

\_\_\_\_\_  
**FOR RANDY K. HEMERLY**

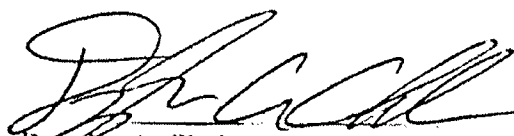
\_\_\_\_\_  
David S. Stellings  
Lieff, Cabraser,  
Heimann & Bernstein, LLP  
250 Hudson St., 8<sup>th</sup> Floor  
New York, NY 10013

\_\_\_\_\_  
**FOR LAMAR R. KING**

\_\_\_\_\_  
**FOR LINDA J. SCHLICK**

\_\_\_\_\_  
*Janet C. Young*  
**FOR JANET C. YOUNG**

APPROVED BY COUNSEL FOR  
THE *BURKETT* PLAINTIFFS-  
INTERVENORS:

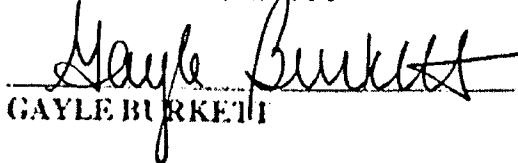


Douglas A. Clark  
The Clark Law Firm  
1563 Main Street  
Peckville, PA 18452

*BURKETT* PLAINTIFFS-INTERVENORS,  
FOR THEMSELVES:



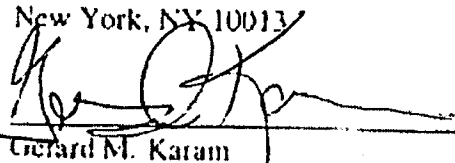
RUSSELL E. BURKETT



GAYLE BURKETT



Francis P. Karam  
Francis P. Karam, Esq. P.C.  
12 Debrosses Street  
New York, NY 10013



Gerard M. Karam  
Mazzoni, Karam Petorek & Valvano  
321 Spruce Street #201  
Scranton, PA 18503



Rachel Schulman  
Rachel Schulman, Esq. PLLC  
14 Bond Street, Suite 143  
Great Neck, NY 11021

COUNSEL FOR *BURKETT* PLAINTIFFS-  
INTERVENORS

**APPROVED BY COUNSEL FOR  
THE DEFENDANT:**

**CHESAPEAKE APPALACHIA, L.L.C.**



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

COUNSEL FOR DEFENDANT



James R. Webb  
Executive Vice President - General Counsel,  
Chesapeake Energy Corp.



**EXHIBIT A**UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

**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.

<b>A SUMMARY OF YOUR RIGHTS AND CHOICES</b>	
<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><b>Automatic Distribution</b></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><b>Post-marked on or before</b></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><b>Post-marked on or before</b></u></p>

QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_

## 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.

QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_

### 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.

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.

QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_

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 the following address and/or phone number:

-----

-----

**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, 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.

**QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_**

If you have any questions about whether you are part of the Settlement Class, please call (toll-free) \_\_\_\_\_ or contact the following Class Counsel: Larry Moffett, (662) 232-8979, [lmoffett@danielcoker.com](mailto:lmoffett@danielcoker.com); or \_\_\_\_\_.

**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 \$11,000,000.00. 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.

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 Amended Settlement Agreement.

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

**QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_\_**



**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 \_\_\_\_\_**, to:

\_\_\_\_\_

\_\_\_\_\_

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.

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

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

QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_\_

Michelle R. O'Brien  
The O'Brien Law Group LLC  
3738 Birney Avenue  
Moosic, PA 18507

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

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

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 \_\_\_\_\_, 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 \_\_\_\_\_, to consider whether the Proposed Settlement is fair, reasonable, and adequate. The Hearing will be at the United States

**QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_\_**

Courthouse, \_\_\_\_\_ at \_\_\_\_\_. 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 \_\_\_\_\_. 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, call \_\_\_\_\_, or write to:

\_\_\_\_\_  
\_\_\_\_\_

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:

QUESTIONS? CALL 1-800-\_\_\_\_-\_\_\_\_\_

Larry Moffett, (662) 232-8979, [lmoffett@danielcoker.com](mailto:lmoffett@danielcoker.com) or \_\_\_\_\_.

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 1-800-\_\_\_\_-\_\_\_\_\_**

**EXHIBIT B**

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF PENNSYLVANIA**

**DEMCHAK PARTNERS LIMITED  
PARTNERSHIP; JAMES P. BURGER, JR. and  
BARBARA H. BURGER; WILLIAM A. BURKE, II  
and CLARA BURKE; WILLIAM A. BURKE, III;  
EDWARD J. BURKE; DONALD G. FULLER and  
KAREN M. FULLER; RANDY K. HEMERLY;  
LAMAR R. KING; LINDA J. SCHLICK; AND  
JANET C. YOUNG, on Behalf of Themselves and All  
Others Similarly Situated,**

**Plaintiffs,**

**and**

**RUSSELL E. BURKETT and GAYLE BURKETT,**

**Plaintiffs-Intervenors,**

**v.**

**CHESAPEAKE APPALACHIA, L.L.C.,**

**Defendant.**

**Civ. No. 3:13-2289  
(Judge Mannion)**

**ORDER GRANTING CERTIFICATION OF SETTLEMENT CLASS AND  
PRELIMINARILY APPROVING CLASS SETTLEMENT**

This matter comes before the Court on Plaintiffs' unopposed motion for preliminary approval of settlement, and certification for settlement purposes of a Settlement Class ("Motion").

The Court, having reviewed and considered the Motion, the memorandum in support of the Motion, the Amended Class Action Settlement Agreement ("Amended Settlement Agreement"), the proposed Notice of Class

Settlement, and pertinent portions of the entire record in this litigation to date, finds as follows:

1. On August 30, 2013, Plaintiffs filed in this Court a class action complaint (Doc. 1) against Chesapeake Appalachia, L.L.C. (“Defendant” or “Chesapeake”). With the complaint, Plaintiffs also filed a motion for preliminary approval of a proposed settlement (“Original Settlement”). On September 3, 2013, Chesapeake filed an answer to the complaint (Doc. 5).

2. Prior to reaching the Original Settlement, Plaintiffs’ counsel and Defendant’s counsel engaged in exchanges of information for the purpose of clarifying the factual and legal issues, including class certification and the merits of Plaintiffs’ claims, and engaged in numerous discussions regarding the litigation and the possibility of a class settlement. To assist the parties in reaching agreement regarding a class settlement, the parties conducted an in-person mediation before the Honorable Edward N. Cahn (Ret.), the former Chief Judge of the U.S. District Court for the Eastern District of Pennsylvania, as well as several telephone conferences with the mediator.

3. On September 12, 2013, Russell Burkett and Gayle Burkett (Burkett-Intervenors) filed a motion to intervene in this case. *See* Dkt. No. 25 (motion) and 40 (memorandum in support). The Burkett-Intervenors, who had filed a putative class arbitration against Chesapeake before the American

Arbitration Association on April 1, 2013, also sought to dismiss the *Demchak* Plaintiffs' case and remove it and the pending claims to that arbitration.

4. On December 20, 2013, Chesapeake filed a separate action against the Burkett-Intervenors, seeking a declaration enjoining the Burkett-Intervenors from pursuing a class arbitration. *See* Civ. No. 3:13-3073, Dkt. No. 1. The Burkett-Intervenors opposed that motion, and filed a motion to consolidate Chesapeake's declaratory action with this case. *See* Dkt. No. 63 and 65.

5. While the *Demchak* Plaintiffs' motion for preliminary approval, Chesapeake's request for an injunction, and the Burkett-Intervenors' motion for consolidation were all pending, the arbitration panel issued two orders. On January 28, 2014, the panel ruled that it had the authority to decide the gateway question of class arbitrability – whether the Burketts could pursue an arbitration on behalf of a proposed class. On September 11, 2014, the panel re-examined that decision in light of the Third Circuit Court of Appeals' intervening decision in *Opalinski v. Robert Half Int'l Inc.*, 761 F.3d 326 (3d Cir. 2014). The panel adhered to its initial determination that it had the authority to determine class arbitrability. On October 17, 2014, this Court denied Chesapeake's motion for summary judgment on the same question in Chesapeake's declaratory action, and denied Chesapeake's motions to vacate the AAA panel decisions from January and September 2014. *See* Civ. No. 3:13-3073, Dkt. Nos. 44, 46. Thereafter,



Chesapeake appealed those orders to the United States Court of Appeals for the Third Circuit. With the Burketts' arbitration set to proceed, potentially as a class proceeding, this Court stayed the *Demchak* Plaintiffs' motion for preliminary approval of the Original Settlement. *See* Dkt. No. 77.

6. Plaintiffs, Chesapeake, and the Burkett-Intervenors engaged in settlement negotiations, including additional mediation sessions under the supervision of Judge Cahn and a second mediator. The parties ultimately reached a settlement encompassing the claims of Plaintiffs and those of the Burkett-Intervenors, and which amends the Original Settlement.

7. The terms of the proposed Amended Settlement are set forth in the Amended Settlement Agreement, attached to the Motion as Exhibit 1. The definitions set forth in the Amended Settlement Agreement are incorporated herein by reference. The Amended Settlement Agreement resolves any and all claims of the Settlement Class against Defendant, its affiliates and other parties identified in the Amended Settlement based on the calculation, payment, and/or reporting of royalty payments relating to Gas pursuant to a Market Enhancement Clause of a Pennsylvania Lease, and any and all claims and causes of action that were alleged and/or made in the class action complaint (Doc. 1) and/or the Burketts' arbitration. The Settlement Class, as defined in the parties' Amended Settlement Agreement (Ex. 1 at 1.42), includes the following:

[A]ll individuals and entities, including their predecessors and successors-in-interest, who are lessor parties to 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. The Settlement Class excludes (a) Chesapeake, Chesapeake's 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 Amended Settlement Agreement, and (iii) whose lease has been sold, transferred, and/or assigned by Chesapeake in its entirety as of the date of the Amended Settlement Agreement; (e) any person or entity who has previously released Chesapeake from liability concerning or encompassing any or all Settled Claims; (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.

8. The Amended Settlement Agreement defines the Market

Enhancement Clause as:

“Market Enhancement Clause” means Royalty payment clauses or provisions in an oil and gas lease that preclude the lessee from deducting Post-Production Costs incurred to transform leasehold gas into marketable form or make such gas ready for sale or use but permit the lessee to deduct a pro rata share of Post-Production Costs incurred after the gas is marketable or ready for sale or use. Such clauses are often entitled or referred to as “Market Enhancement Clauses,” “MECs” or “Ready for Sale or Use Clauses.”

9. The Amended Settlement Agreement defines Pennsylvania

Leases as:

“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.

10. The Amended Settlement Agreement defines Post-Production

Costs as:

“Post-Production Costs” means costs for gathering, compressing, transporting, or dehydrating Gas which are incurred before the interconnect point of a Transmission Pipeline. Post-Production Costs does not include transportation costs incurred after Gas has entered the interconnect point of a Transmission Pipeline.

11. The Amended Settlement Agreement affects only Chesapeake, its Affiliates and the other parties and entities identified in the Amended Settlement and does not affect how any other entity calculates and/or pays Royalties.

12. The Amended Settlement Agreement appears, upon preliminary review, to be fair, reasonable, and adequate.

13. In determining that the proposed Amended Class Settlement appears to be fair, reasonable and adequate, the Court has considered the following: (a) the proposed Class Settlement has been fairly and honestly

negotiated; (b) sufficient questions of law and fact exist that make the outcome of a trial on the merits uncertain; (c) the value of the proposed Class Settlement is reasonable, given the possible outcome of protracted and expensive litigation; and (d) the parties and their attorneys, who are very experienced in class action royalty litigation, believe that the Class Settlement is fair and adequate, and recommend that the Class Settlement be preliminarily approved.

14. The parties entered into the Amended Settlement Agreement only after engaging in a meaningful exchange of information and mediation before the former chief judge of the U.S. District Court for the Eastern District of Pennsylvania, and with full knowledge of the critical factual and legal issues. The Amended Settlement Agreement is the product of non-collusive, arm's-length bargaining among experienced and knowledgeable counsel, including counsel for Chesapeake, Plaintiffs, and the Burkett-Intervenors.

15. The Amended Class Settlement avoids the time and expense of continuing this litigation and/or the related arbitration, for an indeterminate period of time, with attendant risks, costs, and delay for both sides.

16. Settlement Class Members will receive substantial benefits from the Amended Settlement Agreement. Chesapeake has agreed to make a settlement payment to the Class in an amount equal to fifty-five percent (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, and thirty-four percent (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 month in which the Effective Date occurs. It is estimated that this payment will be not less than \$11 million. The amount of this settlement payment is materially larger than provided for in the Original Settlement. Chesapeake has also agreed to pay up to Fifty Thousand Dollars (\$50,000.00) for Settlement Administrative Costs. Moreover, Chesapeake has agreed to modify how it calculates Royalty payments relating to Gas pursuant to a Market Enhancement Clause of a Pennsylvania Lease on a going-forward basis. This result is particularly beneficial to members of the Settlement Class, who would otherwise be required to litigate these claims through individualized arbitrations.

17. Chesapeake also benefits from the Amended Settlement Agreement, through the avoidance of protracted and expensive litigation, the final resolution of disputes with the Settlement Class Members, and the promotion of a mutually-productive business relationship with the Settlement Class Members.

18. The Settlement Class satisfies the prerequisites of Rule 23 of the Federal Rules of Civil Procedure, and the Settlement Class is certified for settlement purposes.

19. The Class is sufficiently numerous to satisfy Rule 23(a)'s numerosity requirement because it includes more than one hundred people, and joinder of their claims would be impracticable.

20. Plaintiffs' claims are typical of the Settlement Class Members' claims, in that they and all other Settlement Class Members were allegedly subject to Defendant's alleged improper royalty payment practices pursuant to a common lease provision. Plaintiffs are adequate class representatives who have no conflicts with the Settlement Class Members, and their counsel have significant experience litigating gas royalty class actions. Therefore, Plaintiffs satisfy the typicality and adequacy requirements of Rule 23(a).

21. There are factual issues common to all Settlement Class Members—in particular, whether Post-Production Costs are properly deducted from the Settlement Class Members' royalty payments pursuant to the Market Enhancement Clause. The commonality requirement of Rule 23(a) and the predominance requirement of Rule 23(b)(3) are satisfied.

22. Treatment of this litigation as a class action is superior to resolution through hundreds of separate individual arbitrations and class treatment enhances judicial efficiency. Therefore, the superiority element of Rule 23(b)(3) is satisfied.

23. The Notice of Class Settlement to be mailed to the members of the Settlement Class (attached to the Motion as Exhibit 1 (“Settlement Notice”)) adequately informs the Settlement Class Members of the following: (1) the nature of this class action lawsuit; (2) the definition of the proposed Settlement Class; (3) the subject of the Settlement Class Members’ claims; (4) that a Settlement Class Member may enter an appearance through an attorney if the Settlement Class Member so desires; (5) that the Court will exclude from the Settlement Class any member who timely requests exclusion; (6) the time and manner for requesting exclusion; (7) a description of the terms of the Class Settlement, including information about the Settlement Class Members’ right to obtain a copy of the Amended Settlement Agreement; (8) the right of any Settlement Class Member to object to the proposed Class Settlement, and the deadline for any such objections; and (9) the binding effect of the Class Settlement on Settlement Class Members who do not elect to be excluded from the Settlement Class.

24. The settlement in this action, if finally approved, would settle all claims against Chesapeake, its Affiliates and the other persons and entities identified in the Amended Settlement Agreement. The parties have spent significant time and expense to reach this settlement. Therefore, it appears reasonable that all claims against Chesapeake, its Affiliates and the other persons

and entities identified in the Amended Settlement Agreement should be resolved through this settlement.

### **ORDER**

In light of the Court's findings, and pending further consideration of the proposed Class Settlement at the final approval hearing, **IT IS HEREBY ORDERED THAT:**

25. The Settlement Class is certified pursuant to Fed. R. Civ. P. 23(a) and (b)(3).

26. Plaintiffs are appointed Class Representatives for the Class.

27. Plaintiffs' counsel are appointed Class Counsel for the Class.

28. The Amended Settlement Agreement is preliminarily approved as being fair, adequate, and reasonable.

29. Notice in compliance with the directives of paragraph 23 of this Order is hereby found to be the best notice practicable under the circumstances and constitutes due and sufficient notice of the proposed Settlement Agreement and the Final Approval hearing to the Settlement Class and all persons entitled to receive such notice as potential Settlement Class Members.

30. Within 10 calendar days after the Court signs this Order, Chesapeake shall provide renewed notice of the Class Settlement by first class mail



to the appropriate federal and state officials, as required by the Class Action Fairness Act, 28 U.S.C. §1751.

31. The Court approves as reasonable and adequate under Rule 23 of the Federal Rules of Civil Procedure the form and the content of the Settlement Notice attached to the Motion as Exhibit 1.

32. The Settlement Administrator shall complete the mailing of the Settlement Notice to the Settlement Class Members no later than \_\_\_\_\_.

33. The parties shall file motions and memoranda in support of final approval of the Class Settlement, and Class Counsel shall file their request for attorneys' fees and expense reimbursements on or before \_\_\_\_\_.

34. Any member of the Class who wishes to object to or comment on the proposed Class Settlement, or to object to Class Counsel's request for attorneys' fees, expense reimbursements must postmark and mail such objections or comments on or before \_\_\_\_\_. In accordance with the procedures set forth in the Settlement Notice, any such objections or comments must be mailed to Lead Class Counsel, Defendant's counsel, and the Court.

35. Any member of the Class who wishes to exclude himself or herself from the Class Settlement must postmark and mail the exclusion request to Lead Class Counsel and Defendant's counsel no later than \_\_\_\_\_.

36. Any Settlement Class Member who wishes to appear and be heard at the final approval hearing must postmark and mail notice of such intention on or before \_\_\_\_\_. Notice of such intention must be mailed to Lead Class Counsel, to Defendant's counsel, and to the Court.

37. On or before \_\_\_\_\_, Class Counsel and Defendant may file a response to any Settlement Class Member's objections or comments. A copy of such response shall be mailed to Lead Class Counsel and Defendant's counsel.

38. The Court will conduct a hearing to consider final approval of the proposed Class Settlement, and Class Counsel's request for attorneys' fees and expense reimbursements beginning at \_\_\_\_\_ .m. on \_\_\_\_\_, or the next available date thereafter. The purpose of the final fairness hearing will be to determine whether the Amended Settlement Agreement is fair, adequate, and reasonable; whether Class Counsel's application for an award of attorneys' fees and expense reimbursements should be approved; and whether this Court should enter a final order and judgment approving the Amended Settlement Agreement, dismissing and releasing the Settled Claims identified in the Settlement Agreement with prejudice.

39. All pending deadlines in this action are stayed until further order of this Court.

**IT IS SO ORDERED.**

---

Malachy E. Mannion  
UNITED STATES DISTRICT  
JUDGE

Dated: December \_\_, 2014

**EXHIBIT C**

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF PENNSYLVANIA**

DEMCHAK PARTNERS LIMITED  
PARTNERSHIP; JAMES P. BURGER, JR. and  
BARBARA H. BURGER; WILLIAM A.  
BURKE, II and CLARA BURKE; WILLIAM  
A. BURKE, III; EDWARD J. BURKE;  
DONALD G. FULLER and KAREN M.  
FULLER; RANDY K. HEMERLY; LAMAR R.  
KING; LINDA J. SCHLICK; AND JANET C.  
YOUNG, on Behalf of Themselves and All  
Others Similarly Situated,

Plaintiffs,

and

RUSSELL E. BURKETT and GAYLE  
BURKETT,

Plaintiffs-Intervenors,

v.

CHESAPEAKE APPALACHIA, L.L.C.,

Defendant.

Case No. 3:13-cv-2289

**FINAL JUDGMENT AND ORDER OF DISMISSAL**

THIS MATTER comes before the Court upon the unopposed “Motion for Final Approval of the Class Settlement” filed by Plaintiffs. The Court, being fully advised of the premises of the Motion, FINDS:

1. On August 30, 2013, Plaintiffs filed in this Court a class action complaint (Doc. 1) against Chesapeake Appalachia, L.L.C. (“Defendant” or “Chesapeake”). With the complaint, Plaintiffs also filed a motion for preliminary approval of a proposed settlement (“Original Settlement Agreement”). On September 3, 2013, Chesapeake filed an answer to the complaint (Doc. 5).

2. Prior to reaching the Original Settlement Agreement, Plaintiffs’ counsel and Defendant’s counsel engaged in exchanges of information for the purpose of clarifying the factual and legal issues, including class certification and the merits of Plaintiffs’ claims, and engaged in numerous discussions regarding the litigation and the possibility of a class settlement. To assist the parties in reaching agreement regarding a class settlement, the parties conducted an in-person mediation before the Honorable Edward N. Cahn (Ret.), the former Chief Judge of the U.S. District Court for the Eastern District of Pennsylvania, as well as several telephone conferences with the mediator.

3. On October 20, 2014, the Court stayed the motion for preliminary approval of the Original Settlement Agreement in light of a pending arbitration asserting overlapping class claims brought by Russell and Gayle Burkett (Doc. 77).

4. The parties, along with the Burketts, engaged in additional negotiations, again under the supervision of Judge Cahn and with the assistance of

an additional mediator. The parties reached an agreement that amends the Original Settlement Agreement (“Amended Settlement Agreement”).

5. On December 4, 2014, Plaintiffs filed a Motion for Preliminary Approval of Settlement (the “Preliminary Motion”) seeking preliminary approval of the Amended Settlement Agreement that resolves any and all claims and causes of action related to the calculation, amount, payment, and/or reporting of Royalty payments made by Chesapeake and/or its Affiliates on Gas produced pursuant to a Pennsylvania Lease, including any and all claims and causes of action that were alleged in *Demchak* or in the *Burkett* Arbitration, as set forth in the Amended Settlement Agreement (Ex. 1 at 1.38). The Settlement Class, as defined in the Parties’ Amended Settlement Agreement (Ex. 1 at 1.42), to resolve the claims that were or could have been asserted in the complaint is as follows:

“Settlement Class” means all individuals and entities, including their predecessors and successors-in-interest, who are lessor parties to 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. The Settlement Class excludes (a) Chesapeake, Chesapeake’s 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 person or entity who has previously released Chesapeake from liability concerning or encompassing any or all Settled Claims; (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.

6. The Amended Settlement Agreement defines the Market

Enhancement Clause as:

“Market Enhancement Clause” means Royalty payment clauses or provisions in an oil and gas lease that preclude the lessee from deducting Post-Production Costs incurred to transform leasehold gas into marketable form or make such gas ready for sale or use but permit the lessee to deduct a pro rata share of Post-Production Costs incurred after the gas is marketable or ready for sale or use. Such clauses are often entitled or referred to as “Market Enhancement Clauses,” “MECs” or “Ready for Sale or Use Clauses.”

7. The Amended Settlement Agreement defines Pennsylvania Leases as:

“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.

8. The Amended Settlement Agreement defines Post-Production Costs

as:

“Post-Production Costs” means costs for gathering, compressing, transporting, or dehydrating Gas which are

incurred before the interconnect point of a Transmission Pipeline. Post-Production Costs does not include transportation costs incurred after Gas has entered the interconnect point of a Transmission Pipeline.

9. The Final Judgment shall affect only Chesapeake, its Affiliates, and/or the other parties identified in the Amended Settlement, and shall not affect how any other entity calculates and/or pays Royalties.

10. Attached as Exhibit “1” to the Preliminary Approval Motion is the Amended Settlement Agreement, describing the claims that are being settled on behalf of the Settlement Class (defined as the “Settled Claims”), setting forth the terms of the Parties’ settlement, and incorporating the terms of this Final Judgment And Dismissal With Prejudice (the “Final Judgment”). The Amended Settlement Agreement is attached hereto as Exhibit 1 and its terms, including the definitions, are incorporated into this Final Judgment as if fully set forth herein. The Amended Settlement Agreement and Final Judgment shall be referred to collectively herein as the “Settlement.”

11. After a hearing on the Parties’ Preliminary Approval Motion, this Court entered an Order dated \_\_\_\_\_, 2014 (the “Preliminary Approval Order”) preliminarily approving the Settlement, and directing that notice of the proposed Settlement be mailed to the Settlement Class. The Court also set a hearing for



\_\_\_\_\_, 2014, to determine whether the proposed Settlement should be approved as fair, reasonable and adequate.

12. In accordance with the Court's Preliminary Approval Order, the Settlement Administrator caused to be mailed to potential members of the Settlement Class (for whom Chesapeake had addresses available from its accounting and/or land records) a notice (the "Settlement Notice") in the form approved by the Court in the Preliminary Approval Order. Attached as Exhibit \_\_\_\_ to the Memorandum in Support of Plaintiff's Unopposed Motion for Final Approval of Class Settlement ("Final Approval Memorandum") is the Affidavit of \_\_\_\_ which provides additional information concerning the mailing of notice. The Court finds that the Settlement Notice provided to potential members of the Settlement Class constituted the best and most practicable notice under the circumstances and included individual notice to all members of the Settlement Class who could be identified by reasonable efforts, thereby complying fully with due process and Rule 23 of the Federal Rules of Civil Procedure.

13. Chesapeake caused to be mailed to the appropriate federal and state officials the materials required to be submitted by the Class Action Fairness Act, 28 U.S.C. § 1711, *et seq.* ("CAFA"). The actions taken to comply with CAFA's notice requirements are more particularly described in the Affidavit of \_\_\_\_\_

attached to the Final Approval Memorandum. Accordingly, the Court finds that the notice requirements of the Class Action Fairness Act have been satisfied.

14. On \_\_\_\_\_, 2014, the Court held a hearing on the proposed Settlement, at which time all interested persons were given an opportunity to be heard. Furthermore, the Court has read and considered all submissions in connection with the Settlement. Having done so, the Court has determined that approval of the Settlement will bestow a substantial economic benefit on the Settlement Class, result in substantial savings in time and money to the litigants and the Court and will further the interests of justice, and that the Settlement is the product of good-faith arm's length negotiations between the Parties.

NOW, THEREFORE, GOOD CAUSE APPEARING, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

15. The Amended Settlement Agreement, including all of the terms defined therein including but not limited to the definitions of "Settled Claims," is incorporated herein. Any terms used in this Final Judgment are governed by their definitions in the Amended Settlement Agreement. The Court has jurisdiction over the subject matter of this litigation and all parties to this litigation, including all members of the Settlement Class.

16. The certified Settlement Class is defined for purposes of the Agreement and this Final Judgment as set forth in Paragraph 5 above.

17. The Settlement was made in good faith and its terms are fair, reasonable, and adequate as to the Settlement Class. Therefore, the Settlement is approved in all respects, and shall be binding upon, and inure to the benefit of, all members of the Settlement Class.

18. The Settlement Class Excluded Entities are not bound by either the Amended Settlement Agreement or this Final Judgment. The Settlement Class Excluded Entities are defined in the Amended Settlement Agreement as entities excluded from the definition of the Settlement Class and persons or entities who have opted out of the Settlement Class. The persons and entities identified on Exhibit \_\_\_ to this Final Judgment are Settlement Class Excluded Entities. The Settlement Class Excluded Entities may pursue their own individual remedies, if any, as to any of the Settled Claims.

19. As of the Effective Date, Plaintiffs and the Settlement Class Members, and each of them, for themselves and their respective heirs, agents, officers, directors, shareholders, employees, consultants, joint venturers, partners, members, legal representatives, successors and assigns, fully and forever release and discharge Defendant, and its parents, present and former affiliates, and subsidiaries, and their respective predecessors, successors, assigns, present, former and future officers, directors, employees, agents, any third party payment processors, independent contractors, successors, assigns, attorneys and legal

representatives (collectively, “Defendant Releasees”) from any and all of the Settled Claims, except for the rights and obligations created by the Amended Settlement Agreement, and shall not commence, participate in, prosecute or cause to be commenced or prosecuted against the Defendant Releasees any action or other proceeding based upon any of the Settled Claims released pursuant to the Amended Settlement Agreement. Plaintiffs and the Settlement Class Members fully and forever release and discharge all working interest owners on whose behalf Defendant has paid or will pay Royalties pursuant to Pennsylvania Leases from any and all of the Settled Claims, but do so only to the limited extent of Defendant’s payments of Gas Royalties on behalf of such working interest owners. The relief afforded under the Amended Settlement Agreement fully and completely compromises the Settlement Class Members’ claims for relief in *Demchak* and the *Burkett* Arbitration. This Release also covers, without limitation, any and all claims for Attorneys’ Fees, Incentive Award Payments, costs, or disbursements incurred by Class Counsel or any other counsel representing Plaintiffs or Settlement Class Members or by Plaintiffs or the Settlement Class Members, or any of them, in connection with or related in any manner to *Demchak* and the *Burkett* Arbitration, the settlement of *Demchak* and the *Burkett* Arbitration, the administration of this Settlement, the implementation of the Settlement, and/or the Settled Claims except to the extent otherwise specified in the Amended

Settlement Agreement. Nothing herein shall operate or be construed to release any claims the Parties and Settlement Class Members may have against any person or entity not identified as a Defendant-Releasee in the Agreement.

20. Chesapeake and its Affiliates shall modify the manner in which it calculates Royalties for the production of Gas pursuant to the Market Enhancement Clause of Pennsylvania Leases beginning in the month after the Effective Date and for so long as Chesapeake is paying Royalties pursuant to the Market Enhancement Clause of Pennsylvania Leases. Under the Future Royalty Calculation Method, to the extent Chesapeake and/or its Affiliates incur Post-Production Costs, Settlement Class Members will no longer bear one hundred percent (100%) of those Post-Production Costs on a pro rata basis but will, instead, bear only sixty-six percent (66%) of those Post-Production Costs on a pro rata basis actually incurred by Chesapeake and/or its Affiliates, unless a lease provides otherwise. If Post-Production Services are provided by a third party, then the Post-Production Costs subject to deduction hereunder shall be the Post-Production Costs actually charged by the third party to Chesapeake and/or its Affiliates and paid by Chesapeake and/or its Affiliates to the third party on an arm's-length basis. If Post-Production Services are provided by Chesapeake and/or its Affiliates, then the Post-Production Costs for such services subject to deduction hereunder shall include only Chesapeake's and/or its Affiliates' actual and reasonable costs for such services.

Settlement Class Members will continue to bear one hundred percent (100%), on a pro rata basis of the costs actually incurred, directly or indirectly, by Chesapeake and/or its Affiliates downstream of the interconnect point with a Transmission Pipeline, including for transportation costs on the Transmission Pipeline. Some volumes of Gas produced by Chesapeake under the Pennsylvania Leases may be used as fuel, lost, or otherwise unaccounted for by a provider of Post-Production Services ("FLU Volumes"). Chesapeake shall not deduct any FLU Volumes as a Post-Production Cost for the Pennsylvania Leases but shall, instead, pay Gas Royalties on one hundred percent (100%) of the FLU Volumes, except as otherwise permitted by a Settlement Class Member's Pennsylvania Lease. Chesapeake shall not deduct or reflect as deductions, directly or indirectly, except as allowed by a lease: (a) any marketing fees, (b) any costs for production facilities, or (c) any costs for field separators, flow lines, or other facilities or operations located between the wellhead and the point at which Gas enters a gathering system. Except as specified herein and in the Final Judgment, the Future Royalty Calculation Method shall not affect any other provisions of a Pennsylvania Lease. The Future Royalty Calculation Method applies notwithstanding any current or future law, statute, judicial decision, or rule regulating the payment of Royalties in Pennsylvania. For the purposes of only this paragraph and the following paragraph, "Chesapeake and/or its Affiliates" refers to Chesapeake

Appalachia, L.L.C., Chesapeake Operating Inc., Chesapeake Operating, L.L.C., Chesapeake Energy Marketing, L.L.C., and Chesapeake Energy Marketing Inc.

21. The Future Royalty Calculation Method modifies only how Chesapeake and/or its Affiliates calculate and pay Royalties on Chesapeake's share of Gas production and how Chesapeake pays Royalties on behalf of any other person or entity holding a lessee/working interest under a Pennsylvania Lease. This Final Judgment does not modify how any other entity calculates and/or pays Royalties pursuant to the Pennsylvania Leases.

22. All Settled Claims are dismissed with prejudice.

23. Neither this Final Judgment, the Amended Settlement Agreement nor any document referred to herein nor any action taken pursuant to—or to carry out—the Settlement may be used as an admission by or against Chesapeake or its affiliates of any fact, claim, assertion, matter, contention, fault, culpability, obligation, wrongdoing or liability whatsoever, nor may any such document or action taken pursuant to such a document be used as an admission that, barring settlement, these claims may proceed in any manner or than in arbitration on an individualized basis.

24. Chesapeake shall deposit the Settlement Funds into the Escrow Account in accordance with Section 5.1 of the Amended Settlement Agreement.

25. The Plan of Administration attached as Exhibit D to the Amended Settlement Agreement, including the plans for allocation and distribution set forth therein, is hereby approved and shall be implemented by using the best reasonably available data and using the most practicable method under the circumstances.

26. The Court has, by separate order, granted Class Counsel's "Motion for an Award of Attorneys' Fees and Expenses and for Incentive Award Payments." The amount of Attorneys' Fees, Litigation Expenses, and Administrative Costs awarded to Class Counsel shall be distributed to Class Counsel, and the Incentive Award Payments shall be distributed to Plaintiffs, in accordance with Section 5.1.1 of the Amended Settlement Agreement.

27. The Court reserves jurisdiction over this matter, the Parties, and all counsel herein, without affecting the finality of this Final Judgment, including over (a) implementing, administering and enforcing this Settlement and any award or distribution from the Settlement Funds; (b) disposition of the Settlement Funds; and (c) other matters related or ancillary to the foregoing.

28. Nothing set forth in this Final Judgment shall be construed to modify or limit the terms of the Amended Settlement Agreement, but rather, the Amended Settlement Agreement and this Final Judgment are to be construed together as one Settlement between the Parties.



29. The Settlement and this Final Judgment shall have no *res judicata*, collateral estoppel, or other preclusive effect as to any claims other than the Settled Claims.

Dated: \_\_\_\_\_, 2015.

BY THE COURT:

---

Malachy E. Mannion  
United States District Court Judge

**EXHIBIT D**

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF PENNSYLVANIA**

<b>DEMCHAK PARTNERS LIMITED</b>	)	
<b>PARTNERSHIP; JAMES P. BURGER, JR. and</b>	)	
<b>BARBARA H. BURGER; WILLIAM A.</b>	)	
<b>BURKE, II and CLARA BURKE; WILLIAM</b>	)	
<b>A. BURKE, III; EDWARD J. BURKE;</b>	)	
<b>DONALD G. FULLER and KAREN M.</b>	)	
<b>FULLER; RANDY K. HEMERLY; LAMAR R.</b>	)	
<b>KING; LINDA J. SCHLICK; AND JANET C.</b>	)	
<b>YOUNG, on Behalf of Themselves and All</b>	)	
<b>Others Similarly Situated,</b>	)	
	)	
<b>Plaintiffs,</b>	)	
	)	
<b>And</b>	)	
	)	<b>Case No. 3:13-cv-2289</b>
<b>RUSSELL E. BURKETT and GAYLE</b>	)	
<b>BURKETT,</b>	)	
	)	
<b>Plaintiffs-Intervenors,</b>	)	
<b>v.</b>	)	
	)	
<b>CHESAPEAKE APPALACHIA, L.L.C.,</b>	)	
	)	
<b>Defendant.</b>	)	

**PLAN OF ADMINISTRATION AND DISTRIBUTION**

1. Plan of Allocation

(a) Each Settlement Class Member's allocated share of the Settlement Funds will be an amount equal to 55% of all Post-Production Costs reflected as deductions from Gas Royalty payments made by Chesapeake to the Settlement Class Member 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 the Settlement Class Member under the Pennsylvania Leases from June 1, 2014, through the month in which the Effective Date occurs.

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

(c) In order to obtain payment, the Settlement Class Member must endorse a distribution check bearing a legend substantially in the form attached hereto as Exhibit 1. By

endorsing a distribution check bearing such legend, the payee further acknowledges the release of Chesapeake and its affiliates in accordance with the Court-approved Settlement and his or her acceptance of all other provisions of the Court-approved Settlement.

2. Heirship Notification Form Some persons included in the Settlement Class definition may now be deceased (“Deceased Class Members”). In order to assist the Settlement Administrator in the allocation and distribution of funds attributable to the interests of Deceased Class Members, the Settlement Notice mailed to Settlement Class Members will be accompanied by an Heirship/Beneficiary Information Form (“Heirship Form”), which will be substantially in the form of the document attached hereto as Exhibit 2. 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 Class Member under the Plan of Allocation, then the Settlement Class Member will be requested, but not required, to mail to the Settlement Administrator a completed Heirship Form containing the information and documents requested therein.

The provision of an Heirship Form will be requested as an aid to the Settlement Administrator in the distribution of the Settlement Funds, but shall not constitute a required proof of claim form, nor be a condition precedent to the allocation and distribution of settlement monies attributable to a Deceased Class Member’s interests. In the absence of an Heirship Form, the Settlement Administrator may, but will not be required to, review records in Defendant’s possession, including division orders, transfer orders, probate records, payment records, and like documents, and reasonably attempt to allocate and distribute Settlement Funds attributable to a Deceased Class Member’s interest to the person, or persons, who received royalty payments from the Producers as a successor-in-interest to the Deceased Class Member in the ordinary course of business. The Settlement Administrator may also allocate and distribute Settlement Funds attributable to a Deceased Class Member’s interests to the estate of the Deceased Class Member, with any such payment to be sent to such mailing address as may be readily ascertainable by the Settlement Administrator.

3. Distribution of Settlement Proceeds

(a) Within thirty (30) days after the Effective Date, the Settlement Administrator shall make a determination as to the amounts owed to each Settlement Class Member and shall issue checks to each Settlement Class Member to whom a payment is owed.

(b) The amount of money to be disbursed to each Settlement Class Member will be the Settlement Class Member’s allocated share of the Settlement Funds as calculated in accordance with the Plan of Allocation, including any interest earned thereon, reduced by his or her proportionate share of Court-approved Litigation Expenses, Administrative Costs, and Attorneys’ Fees, Incentive Award Payments, and any interest earned thereon.

(c) The Settlement Administrator shall, not less than one year after the Effective Date, determine for the Court the total dollar amount of the distribution checks which were payable to Settlement Class Members but which were not negotiated by the Settlement Class Members for any reason, for example, because a Settlement Class Member could not be located or a Settlement Class Member failed or refused to negotiate his distribution check. All

such unclaimed monies shall be transferred to a charitable organization agreed to by Plaintiffs, Plaintiffs-Intervenors, and Defendant.

4. Disputed Claims Any dispute between persons who are, or who purport to be, Settlement Class Members concerning the distribution of a portion of the Settlement Funds will be submitted to the Court for resolution. The persons involved in such dispute must submit their dispute to the Court within ninety (90) days after the Effective Date. Such dispute shall not in any way affect, delay, or interfere with, the approval of the settlement or any distribution to any persons not involved in the dispute, including any distribution to other Settlement Class Members or Class Counsel.

5. Claims Based Upon Distributions No Settlement Class Member shall have any claim against the Class Representatives, Class Counsel, the Settlement Administrator, or Defendant based upon distributions made substantially in accordance with the Settlement Agreement, the Plan of Administration and Distribution, or orders of the Court, or in good faith reliance on any public records or records provided by Defendant or any other person or entity.

6. Final Report of Distribution by Settlement Administrator Within thirty (30) days after completing full distribution of the Settlement Funds, unless otherwise ordered by the Court, the Settlement Administrator shall file with the Court a Final Report (together with a proposed order approving such report and discharging the Settlement Administrator) indicating that the Settlement Funds have been distributed in accordance with the terms of the Settlement Agreement and the Court's prior orders.

7. Settlement Administrator As used herein and in the exhibits hereto, the term "Settlement Administrator" means any person approved by Lead Class Counsel to administer the Settlement in accordance with the Settlement Agreement, Final Judgment, and this Plan of Administration and Distribution.

8. Definitions All terms defined in the Settlement Agreement shall have the same meaning when used in this Plan of Administration and Distribution except as otherwise specified herein.

**EXHIBIT E**

**ESCROW AGREEMENT**

THIS ESCROW AGREEMENT (together with Schedule A described below, this "Agreement") is made effective the \_\_\_\_ day of \_\_\_\_, 2014, by and between/among Chesapeake MEC Royalties Qualified Settlement Fund ("First Party"); Chesapeake Appalachia, L.L.C. ("Second Party"); and Citibank ("Escrow Agent"). First Party and Second Party are sometimes referred to herein jointly as the "Parties."

**A. APPOINTMENT AND AUTHORIZATION.** The Parties hereby authorize Escrow Agent to perform the duties and responsibilities set forth herein upon the terms, conditions and provisions set forth herein and in Schedule A attached hereto and incorporated herein for all purposes.

**B. GOVERNANCE AND CONTROL.** The Parties and Escrow Agent hereby agree that this Agreement sets forth all the duties, obligations and liabilities of Escrow Agent (collectively, "Escrow Agent's Duties") and all the rights, privileges and immunities of Escrow Agent (collectively, "Escrow Agent's Rights"). This Agreement (including Schedule A), and only this Agreement, shall govern and control Escrow Agent's Duties and Rights. Escrow Agent shall not be responsible for knowledge of or performance under the terms and conditions of any other agreement, instrument or document.

**C. ESCROW AGENT'S DUTIES**

1. Investment of Escrowed Funds. Escrow Agent shall invest the funds escrowed under this Agreement ("Escrowed Funds") as directed in Schedule A attached hereto.

2. Care of Escrowed Funds. Escrow Agent shall give the Escrowed Funds the same degree of care that Escrow Agent gives other funds held by it.

3. Income Payments and Reporting. Escrow Agent shall make payments of income earned on the Escrowed Funds as provided in Schedule A attached hereto. Each payee shall provide to Escrow Agent an appropriate W-9 form for tax identification number purposes. Escrow Agent shall be responsible only for income reporting to the Internal Revenue Service with respect to income earned on the Escrowed Funds.

**D. ESCROW AGENT'S RIGHTS**

1. Reliance on Authenticity and Validity. Escrow Agent (a) may rely upon the authenticity and validity of any notice, demand, consent, authorization, instruction, receipt, power of attorney, judgment or order delivered to Escrow Agent without being required to verify the authenticity and validity thereof, the validity of the service, the genuineness of the signature, or the jurisdiction of the court issuing any judgment or order, and (b) may act in accordance therewith.

2. Consultation of Legal Counsel. In the event of any ambiguity or dispute concerning the meaning or intent of any term, provision or condition set forth in this Agreement, after consulting with and receiving the approval of the Parties, Escrow Agent may consult legal counsel of its choice and shall be fully protected and incur no liability in acting in accordance with the opinion and instructions of such counsel.

3. Refusal to Comply. In the event of any disagreement between/among the Parties and Escrow Agent that results in adverse claims or demands being made in connection with the Escrowed Funds, or in the event that Escrow Agent, in good faith, is in doubt as to what action Escrow Agent should take hereunder, Escrow Agent may, at its option, refuse to comply with any claims or demands on Escrow Agent, or refuse to take any other action hereunder, so long as such disagreement continues or such doubt exists. In any such event, Escrow Agent shall not become liable in any way or to any person for its failure or refusal to act, and Escrow Agent shall be entitled to continue to refrain from acting until (a) the rights of the involved parties have been fully and finally adjudicated by a court of competent jurisdiction, or (b) all differences have been adjusted and all doubt resolved by agreement between/among the involved parties, and Escrow Agent has been so notified in writing signed by all involved parties. Escrow Agent may, after thirty (30) calendar days' notice to the involved parties of its intention to do so, file an action in interpleader requiring the involved parties to answer and litigate any claims and rights between/among themselves. The rights of Escrow Agent under this paragraph are cumulative of all other rights which it may have by law or otherwise.

4. Confirmation of Instructions. In the event funds transfer instructions ("Instructions") are given in writing, including by electronic mail, by telefax or otherwise (other than in writing at the time of execution of this Agreement), Escrow Agent may (but shall not be obligated to) attempt to confirm the Instructions by telephone call back to the Authorized Representative who wrote the Instructions, and Escrow Agent may (a) rely upon such confirmation, and (b) record such call backs in order to ensure accuracy. Authorized Representatives and their telephone numbers for call backs may be changed only in writing actually received and acknowledged in writing by Escrow Agent.

5. Errors. The Parties agree to notify Escrow Agent of any errors, delays or other problems within thirty (30) calendar days after receiving notification that a transaction has been executed. If it is determined that the transaction was delayed or incorrectly executed due to Escrow Agent's negligence, gross negligence or willful misconduct, Escrow Agent's sole obligation shall be payment or refund of such amounts as may be required by applicable law. In no event shall Escrow Agent be responsible for any incidental or consequential damages or expenses in connection with Instructions.

6. Timely Receipt of Instructions

a. Escrow Agent shall have no obligation to invest or reinvest Escrowed Funds if all or a portion thereof is deposited with Escrow Agent after 2:00 PM Central Time on the Business Day of deposit. Instructions to invest or reinvest Escrowed Funds which are received after 2:00 PM Central Time shall be deemed received on the following Business Day.

“Business Day” is any day on which Citibank is open for carrying on substantially all of its banking business other than Saturday, Sunday or Federal Reserve holiday.

b. Escrow Agent shall have the power to sell or liquidate investments whenever Escrow Agent is required to distribute amounts from the Escrowed Funds pursuant to this Agreement. Requests or instructions to liquidate all or any portion of the Escrowed Funds which are received by Escrow Agent after 2:00 PM Eastern Time shall be deemed received on the following business day.

**E. NO LIABILITY.** Escrow Agent shall not be liable for its non-performance of any act or obligation hereunder by reason of any occurrence beyond its control (including, but not limited to, any act of God or war or terrorism, any present or future law or regulation, any act of any governmental authority, or the unavailability of the Federal Reserve Bank wire services or any other electronic communication facility).

**F. RESIGNATION; TERMINATION.** Escrow Agent may, in its sole discretion, resign as Escrow Agent hereunder by written instrument (“Resignation”) delivered to the Parties as provided in Schedule A attached hereto at any time following thirty (30) calendar days’ written notice to the Parties (“Notice of Intent to Resign”), and all of Escrow Agent’s Duties and Rights shall be terminated as of the effective date of the Resignation. On said effective date, Escrow Agent shall deliver this Agreement, together with any and all related instruments, documents and records to any successor escrow agent agreeable to the Parties. If a successor escrow agent has not been appointed prior to the expiration of thirty (30) calendar days following the date of the Notice of Intent to Resign, the then-acting escrow agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent, or other appropriate relief. Any such appointment shall be binding upon the Parties and Escrow Agent.

**G. MISCELLANEOUS**

1. **Invalidity.** If any provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

2. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of New York.

3. **Interpretation.** Where required for proper interpretation, words in the singular shall include the plural. The descriptive headings of the sections and paragraphs herein are for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

4. **Amendment.** This Agreement may not be amended and no term, provision, condition, covenant or obligation hereof may be waived, except by an agreement in writing signed by the Parties and Escrow Agent.

5. Entire Agreement. This Agreement (including Schedule A) constitutes the entire agreement between the Parties and Escrow Agent pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings in connection therewith.

6. No Issuance of Materials. No printed or other material in any language, including prospectuses, notices, reports and/or promotional material, which mention "Citibank" by name or the rights, powers or duties of Escrow Agent under this Agreement shall be issued by the Parties, or on behalf of the Parties, without the prior written consent of Escrow Agent, except that the Parties may notify the Court that Citibank is serving as the Escrow Agent.

7. Multiple Counterparts. This Agreement may be executed by facsimile or electronic signatures and in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

Executed to be effective as of the date first above written.

**FIRST PARTY:**

**Chesapeake MEC Royalties Qualified  
Settlement Fund**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SECOND PARTY:**

**Chesapeake Appalachia, L.L.C.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**ESCROW AGENT:**

Citibank, a \_\_\_\_\_ banking corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ESCROW AGREEMENT**

**SCHEDULE A**

1. The Escrow Agreement (the "Escrow Agreement") to which this Schedule A is attached and incorporated for all purposes therein is entered into incident to a Settlement Agreement dated \_\_\_, 2013 (the "Settlement Agreement") arising out of the case of *Demchak, et al. v. Chesapeake Appalachia, L.L.C.*, case number \_\_\_ pending in the United States District Court for the Middle District of Pennsylvania, \_\_\_ Division (the "Court"). A copy of the Settlement Agreement is attached as Exhibit A hereto. The Escrow Agent is not a party to the Settlement Agreement and is not bound by any of the terms and conditions of the Settlement Agreement. For convenience, all terms defined in the Settlement Agreement shall have the same meaning when used in this Schedule A except as otherwise specified herein. For the purposes of this Escrow Agreement, Lead Class Counsel are: Larry D. Moffett of Daniel Coker Horton & Bell, P.A., and David S. Stellings of Lieff Cabraser Heimann & Bernstein, LLP; Defendant is Chesapeake Appalachia, L.L.C.; the Tax Administrator is \_\_\_\_; the Escrow Agent is \_\_\_\_; and the Settlement Administrator is \_\_\_\_:

2. Any notice required or permitted under the Escrow Agreement shall be sufficiently given if delivered personally, sent via overnight courier, sent by certified mail, return receipt requested, or sent by electronic mail, addressed as follows. Notices except to the Escrow Agent and the Tax Administrator also shall be sent via email to the addressees below.

For Lead Class Counsel:

Larry D. Moffett  
Daniel Coker Horton  
& Bell, P.A.  
P. O. Box 1396  
Oxford, MS 38655-1396  
[lmoffett@danielcoker.com](mailto:lmoffett@danielcoker.com)

David S. Stellings  
Lieff Cabraser Heimann  
& Bernstein, LLP  
250 Hudson St., 8th Floor  
New York, NY 10013  
[dstellings@lchb.com](mailto:dstellings@lchb.com)

For Chesapeake:

Daniel T. Donovan  
Kirkland & Ellis, LLP  
655 Fifteenth Street, NW  
Washington, DC 20005  
[ddonovan@kirkland.com](mailto:ddonovan@kirkland.com)

\_\_\_\_\_  
For the Escrow Agent:

For the Tax Administrator (for monthly statements only):

3. The escrow account established by the Escrow Agent (the "Escrow Account") shall be designated as the "Chesapeake MEC Royalties Qualified Settlement Fund" (the "Fund"). It has been assigned the Employer Identification Number \_\_\_\_\_. It is anticipated that as a result of a payment made by Defendant under the Settlement Agreement, \_\_\_\_\_ dollars (\$\_\_\_\_) in cash (the "Deposit Funds") will be deposited into the Escrow Account no later than \_\_\_\_\_, 2014, upon execution of this Escrow Agreement. All deposits into the Escrow Account plus interest accrued thereon, including any redeposits of monies contemplated in Section 4 below, are hereinafter referred to as the "Escrowed Funds." The Escrow Agent shall have no duty or responsibility to solicit the deposit of the Escrowed Funds to the Escrow Account.

4. The Escrowed Funds will be invested and reinvested by the Escrow Agent in repurchase agreements only of (1) direct United States Treasury obligations whose principle and interest is guaranteed by the government of the United States or (2) United States Government agency obligations. It is expressly acknowledged and agreed that upon depositing the Settlement Funds into the Escrow Account, Chesapeake shall have no further obligations to the Settlement Class, the Settlement Class Members, Class Counsel, or Lead Class Counsel with respect to the payment of Settlement Funds.

5. The Escrow Account beginning prior to receipt of any deposits is intended to qualify and be treated for federal income tax purposes as a "qualified settlement fund" within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and U.S. Department of Treasury ("Treas.") Reg. § 1.468B-1.

a. The Tax Administrator shall be the "administrator" (as that term is used in Treas. Reg. § 1.468B-2(k)(3)) of the Escrow Account and as such shall periodically prepare and shall file such federal, state or local returns, pay such federal, state or local taxes, comply with applicable federal, state or local information reporting requirements and otherwise generally comply with the rules and regulations applicable to qualified settlement funds under Treas. Reg. § 1.468B-1 and relevant provisions of state and local tax law. The Escrow Agent, upon receipt of written authorization from an Authorized Representative for Lead Class Counsel and an Authorized Representative for Chesapeake, shall be authorized to remit Escrowed Funds from the Escrow Account (i) to satisfy such federal, state and local taxes as may be due with respect to the Settlement Fund and any fines, penalties or interest associated with late filings of such taxes and (ii) to reduce the amount of any payments under this Escrow Agreement by taxes paid. A completed W-9 for the Escrow Account has been provided to the Escrow Agent. Chesapeake will comply with the provisions of the U.S. Department of Treasury Regulations applicable to the transferor to a qualified settlement fund.

b. The Tax Administrator, and, as required, Chesapeake, shall jointly and timely make (or cause to be jointly and timely made) the "relation-back elections" (as defined in Treas. Reg. § 1.468B-1B) back to the earliest permitted date. Such election shall be made in compliance with the procedures and requirements contained in such regulations (or any successor regulations). It shall be the responsibility of the Tax

Administrator to timely and properly prepare, and deliver the necessary documentation (including the disclosures and elections referred to above) for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

c. The parties hereto acknowledge that the Escrow Agent shall not be held accountable for any duties or responsibilities assigned to the Tax Administrator or Settlement Administrator as well as any fines, penalties or interest associated with late filings as a result of the failure or refusal of others to cooperate with the Escrow Agent causing such filing not to occur on a timely basis. Any such amounts shall be paid from the Escrowed Funds and not by Chesapeake or the Escrow Agent, who shall not in any event be liable for payment of any taxes, fines, penalties or interest associated with late filings. The parties hereto acknowledge and agree that Escrow Agent has no responsibility for and makes no representation or warranty as to the status of qualification of the subject Settlement Agreement or this Escrow Account arrangement under applicable federal tax laws and/or regulations as referred to herein. The parties hereto may retain or hire a qualified third party or parties ("Qualified Third Party") to perform any of its duties or responsibilities specified herein or in Treas. Reg. §1-468B-2. The fees or costs of such Qualified Third Party shall be paid by the party retaining or hiring same. The Tax Administrator's fees and costs shall be paid from the Escrowed Funds.

6. The Escrow Account will automatically terminate after all Escrowed Funds are disbursed as set forth herein and in the Plan of Administration and Distribution, as approved by the Court.

7. With the exception of disbursements described under Sections 8 or 9 of this Schedule A, all disbursements from the Escrow Account for tax payments, to members of the Settlement Class, the Settlement Administrator, or for any other purpose reasonably necessary to comply with the provisions of the Settlement Agreement or the Escrow Agreement, shall require written authorization from one Authorized Representative of Lead Class Counsel and one Authorized Representative of Chesapeake providing for such disbursement. The Authorized Representatives for Lead Class Counsel are Larry D. Moffett and David S. Stellings, and the Authorized Representative for Chesapeake is Daniel T. Donovan. Specimen signatures of the Authorized Representatives for both Lead Class Counsel and Chesapeake are provided.

8. Any modification to this Schedule A shall require authorization from Lead Class Counsel and an Authorized Representative for Chesapeake. The Court shall have jurisdiction to resolve any disputes under this Escrow Agreement and Schedule A, and any party may make application to the Court for guidance or instructions relative to the implementation of the Escrow Agreement. In the event of any conflict between the terms and conditions of this Schedule A and the Escrow Agreement, the terms and provisions of the Escrow Agreement shall control.

9. Whenever a party provides any notice, instructions, order, or other documentation to the Escrow Agent, such party shall at the same time provide copies of such notice, instructions, order, or other documentation to the other party in the manner provided in Section 2 of this Schedule A.

LEAD CLASS COUNSEL:

---

Larry D. Moffett  
Daniel Coker Horton & Bell, P.A.

---

David S. Stellings  
Lief Cabraser Heimann & Bernstein, LLP

CHESAPEAKE:

---

Daniel T. Donovan  
Kirkland & Ellis, LLP

TAX ADMINISTRATOR:

\_\_\_\_\_ as to Section 7 only

Name: \_\_\_\_\_

**Exhibit A to Schedule A**  
**SETTLEMENT AGREEMENT**