

**COMPARISON OF BASIC MONETARY TERMS OF
ORIGINAL PROPOSED DEMCHAK PARTNERS
CLASS ACTION SETTLEMENT AGREEMENT AND OF
AMENDED CLASS ACTION SETTLEMENT AGREEMENT**

	<u>Original</u>	<u>Amended</u>
Initial Settlement Payment - Percentage of PPC paid through Cutoff Date	55% of PPC*	55% of PPC
Cutoff Date for Initial Settlement Payment	Sept. 1, 2013	June 1, 2014
Transition Settlement Payment – Percentage of PPC paid from Cutoff Date through Effective Date	27.5% of PPC	34% of PPC
Future Royalty Calculation Method - Cap on PPC after Effective date	72.5% of PPC	66% of PPC
Legal Fees	1/3 of Settlement Funds Plus 1/3 of future economic benefits (by automatic offset from future royalty payments to class members for up to three years after Effective Date)	Same

*PPC = Post-Production Costs

Certain Definitions/Terms:

“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. (§ 1.28 of proposed Class Action Settlement Agreement; (§ 1.32 of proposed Amended Class Action Agreement) (emphasis added)

“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. (§ 1.45 of proposed

Class Action Settlement Agreement; (§ 1.48 of proposed Amended Class Action Agreement)
(emphasis added)

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.
(§ 6.2 of proposed Amended Class Action Agreement)

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 (§ 6.3 of proposed Amended Class Action Agreement)

SOME QUESTIONS CONCERNING THE PROPOSED SETTLEMENT

1. What is the basis for Class Counsel's estimate that "Chesapeake's total payment will be in excess of \$11 million"?
2. Is there any way for individual class members to estimate the amount of their likely individual recoveries under the terms of the proposed settlement?
3. What is the potential recovery if plaintiffs were to prevail on each of their claims?
4. Separate and apart from the issue of whether Chesapeake was entitled to deduct *any* post-production costs at all in calculating the royalties payable in connection with leases that contain Market Enhancement Clauses, were the gathering and transportation costs that Chesapeake actually deducted in calculating the royalties paid to Settlement Class Members fair and reasonable in amount? Without the benefit of any discovery, do counsel for the putative class have any basis to answer this question?
5. Why is the interconnect point of an intrastate "Transmission Pipeline" defined as the point at which royalty owners remain responsible for their pro rata share of 100% of costs? Why doesn't the Settlement Agreement use the interconnect point of *interstate* pipelines, or pipelines which are otherwise subject to Federal Energy Regulatory Commission ("FERC") regulation of their rates, and terms and conditions of service, as the definitional cutoff point?
6. What constitutes a "large diameter" transmission or transportation pipeline? Note: the Wyoming pipeline is 24" in diameter, but is still deemed a "gathering" pipeline outside of the jurisdiction of FERC.

7. Do any of the pipelines that comprise part of the Chesapeake Midstream/Access Midstream pipeline system constitute “Transmission Pipelines” as defined by the Settlement Agreement? If so, doesn’t that mean that any excessive or unreasonable gathering or transportation charges with respect to such pipelines will not be recoverable, or subject to any future limitation, under the terms of the proposed settlement?

8. What portion of the gathering and transportation fees that have been charged to royalty owners to date have been for costs incurred *after* the interconnect point of a Transmission Pipeline (and thus will *not* be recoverable or subject to future limitation under the proposed settlement)?