

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF OKLAHOMA**

JAMES M. VAN METER and JOHN L.
WRIGHT,

Plaintiffs,

vs.

CHESAPEAKE ENERGY CORP.,
CHESAPEAKE EXPLORATION, L.L.C., as
successor by merger to CHESAPEAKE
EXPLORATION, L.P., SANDRIDGE
ENERGY, INC., SANDRIDGE
EXPLORATION AND PRODUCTION L.L.C.,
TOM L. WARD, and JOHN DOES 1-50

Defendants.

Case No. CIV-16-403-D

CLASS ACTION COMPLAINT

1. Plaintiffs James M. Van Meter and John L. Wright, by their undersigned attorneys, bring this class action complaint, on behalf of themselves and all others similarly situated, for damages and all other appropriate relief under the antitrust laws of the United States.

INTRODUCTION

2. This is a proposed class action alleging a conspiracy to rig bids and depress the price of royalty and bonus payments exchanged for purchases of oil and natural gas leasehold interests and interests in properties containing producing oil and natural gas wells by Chesapeake Energy Corp. and Chesapeake Exploration L.L.C. (collectively, “Chesapeake”), SandRidge Energy, Inc., Sandridge Energy and Production, L.L.C. (collectively, “Sandridge”) Tom L. Ward, and the agents of each, in violation of Section 1 of the Sherman Antitrust Act, 15 U.S.C. § 1. The conspiracy commenced on or around December 27, 2007, and continued until at least March 31, 2012 (the “Class Period”).

3. The defendants' conduct resulted in a criminal indictment against Aubrey K. McClendon, the founder and former CEO of Defendant Chesapeake Energy Corp., for violations of Section 1 of the Sherman Act. *See United States v. Aubrey K. McClendon*, No. CR-16-043, (W.D. Okla. March 1, 2016).

4. In exchange for obtaining conditional leniency by the Department of Justice ("DOJ"), Chesapeake Energy Corp. has cooperated with the DOJ's investigation and admitted to criminally violating federal antitrust laws.

5. Apart from the DOJ indictment and leniency application, Plaintiffs have obtained, through their counsel's extensive investigation, substantial information further evidencing Defendants' anticompetitive conspiracy.

6. Defendants allocated among themselves the leasehold interests for particular parcels of land across the various counties comprising the relevant area, including but not limited to the Mississippian Lime Play area of the Anadarko Basin Region, agreeing thereby not to compete in acquiring the affected leasehold or property interests. Maps prepared by Plaintiffs' counsel that track Defendants' lease acquisitions during the class period across various counties comprising the Mississippian Lime Play demonstrate the extent and effectiveness of Defendants' conspiracy. Some of these maps are copied and discussed below.

7. Defendants furthered their conspiracy by regularly meeting and communicating to not only allocate among themselves the various parcels of land that they would lease (and therefore not compete for their acquisition), but also agreeing among themselves the prices for which they would pay class members for leasehold interest royalty and bonus payments. For example, following weekly meetings held by Chesapeake representatives known as "Monday morning board meetings," Chesapeake and SandRidge both made artificially suppressed bonus

and royalty payments to class members and capped these payments at the same prices. Senior officials of both companies, including then-Chesapeake CEO McClendon and then-SandRidge CEO Ward, knew about and condoned these meetings and the collusive bidding practices that resulted from them.

8. Defendants' anticompetitive conduct has caused members of the proposed classes to receive artificially depressed royalty and bonus prices for the mineral rights they leased to Defendants during the class period. This action seeks to compensate class members for the harm they suffered from the challenged conduct and enjoin Defendants from continuing to participate in this conduct.

JURISDICTION AND VENUE

9. Plaintiffs bring this action under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26, to recover treble damages, costs of suit, reasonable attorneys' fees, and all other appropriate equitable and other relief for violations of Section 1 of the Sherman Antitrust Act, 15 U.S.C. § 1.

10. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1337, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District under 28 U.S.C. § 1391(b), (c), and (d) and Sections 4 and 12 of the Clayton Act, 15 U.S.C. §§ 15 and 22, because, during the Class Period, Defendants resided, transacted business, or had agents within this District, and a substantial portion of the events giving rise to Plaintiffs' claims occurred in and a substantial portion of the affected interstate trade and commerce described below was carried out in this District.

12. This Court has personal jurisdiction over each Defendant under 15 U.S.C. § 22 because each Defendant: (a) transacted business in this District; (b) purchased leasehold interests

and interests in producing properties in this District; (c) had substantial contacts with this District; and (d) committed in this District overt acts in furtherance of an illegal price-fixing, bid-rigging, and customer and market allocation conspiracy that was directed at, and had the intended effect of, causing injury to persons and entities residing in, located in, or doing business in this District.

PARTIES

13. Plaintiff James M. Van Meter is a citizen and resident of Oklahoma City, Oklahoma. With his brother, aunt and cousin, he owns mineral interests in Lipscomb County, Texas. During the Class Period, he entered into oil and gas leases with Defendant Chesapeake Exploration, L.L.C., in which Chesapeake Exploration, L.L.C. purchased leasehold interests in his family's mineral estate. As part of the consideration for entering into such leases, Chesapeake Exploration, L.L.C. paid Van Meter lease bonuses.

14. Plaintiff John L. Wright is a citizen and resident of Garfield County, Oklahoma. In joint tenancy with his wife, Carol Wright, he owns mineral interests in Major County, Oklahoma and Alfalfa County, Oklahoma. During the Class Period, he entered into oil and gas leases with Defendant Chesapeake Exploration, L.L.C., in which Chesapeake Exploration, L.L.C. purchased leasehold interests in his mineral estate. As part of the consideration for entering into such leases, Chesapeake Exploration, L.L.C. paid Wright lease bonuses.

15. Defendant Chesapeake Energy Corp. is a corporation organized under Oklahoma law with its principal place of business in Oklahoma at 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118-1044.

16. Chesapeake Exploration, L.L.C. is a successor by merger to Chesapeake Exploration, L.P. Chesapeake Exploration L.L.C. is a limited liability company organized under

Oklahoma law. Chesapeake Exploration, L.L.C. is made up of three members, Chesapeake Operating, L.L.C., Chesapeake E&P Holding Corporation, and Chesapeake Appalachia, L.L.C. Chesapeake E&P Holding Corp. is a corporation organized under Oklahoma law with its principal place of business in Oklahoma. Chesapeake Appalachia, L.L.C. is a limited liability company with Chesapeake Energy Corporation as its sole member.

17. Defendant SandRidge Energy, Inc. is a corporation existing and operating under the laws of the State of Delaware with its principal place of business at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102.

18. Defendant Sandridge Exploration and Production L.L.C. is a limited liability company organized under Delaware law. On information and belief, it is the leasing agent of SandRidge Energy, Inc.

19. Defendant Tom L. Ward is a former CEO of Defendant SandRidge Energy.

20. Defendants John Doe Nos. 1–50 are other entities or persons whose identities are currently unknown to Plaintiff. John Doe Nos. 1–50 are alleged to have participated in the bid rigging and unlawful restraint of trade, and described herein.

AGENTS AND CO-CONSPIRATORS

21. Defendants' acts alleged in this Complaint were authorized, ordered, or done by their officers, agents, employees, or representatives, while actively engaged in the management and operation of their businesses or affairs.

22. Various persons or firms not named as defendants have participated as co-conspirators in the violations alleged herein and have performed acts and made statements in furtherance thereof.

INTERSTATE TRADE AND COMMERCE

23. Defendants' conduct, as described in this Complaint, was within the flow of, was intended to, and did have a substantial effect on the interstate commerce of the United States, including in this District.

24. During the Class Period, Defendants' purchases of leasehold interests and interests in producing properties that are the subject of this Complaint were within the continuous and uninterrupted flow of, and substantially affected, interstate trade and commerce. This included: (a) entering into and executing transactions for the purchase of leasehold interests and interests in producing properties that include purchasers and sellers from different states; (b) transferring or causing the transfer of money or payments across state lines in connection with purchases of leasehold interests and interests in producing properties; and (c) selling oil, natural gas, and natural gas liquids in interstate commerce.

FACTUAL ALLEGATIONS

Oil and Gas Leaseholds

25. Land ownership may be divided into surface rights and mineral rights. A leasehold interest in an oil and gas lease generally grants the lessee the right to develop the mineral interest to explore for and extract oil, natural gas, and natural gas liquids for a certain length of time in exchange for a one-time "bonus" payment and continuing royalties based on a percentage of any profits from drilling for oil and gas.

26. The typical oil and natural gas lease spans three to five years absent any oil and gas production.

27. Oil and gas leases are considered "held by production," however, and continue indefinitely if the lessee extracts "production in paying quantities." This requires the production

of quantities sufficient to yield a return, however small, in excess of “lifting costs,” even though well drilling and completion costs might never be repaid. Lifting costs refer to the cost of producing oil and gas after drilling is complete.

28. Accordingly, the impact of Defendants’ combination and conspiracy affects the royalty paid, potentially, for generations.

29. In the oil and gas industry, exploration and production companies like Defendants Chesapeake and SandRidge frequently compete to purchase leasehold interests. Such competition increases the prices of the royalty and bonus payments for these leasehold interests, resulting in more money for parties like Plaintiffs.

30. In purchasing leasehold interests, oil and gas exploration and production companies rely on “landmen” who work for such companies, or who are contracted by them or brokers, to prospective properties and negotiate with landowners.

31. Exploration and production companies also compete to purchase interests in properties that are already producing in paying quantities. “Producing properties” are tracts of land with existing wells that are actively producing oil, natural gas, or natural gas liquids. The current lessee of the interest may sell to an exploration and production company like Defendants Chesapeake and SandRidge Energy. This transaction typically includes the underlying leasehold estate and the drilling infrastructure.

The Relationship Between Aubrey McClendon and Tom Ward

32. In their early twenties, Defendant Tom Ward and Aubrey McClendon worked as landmen in Texas and Louisiana. After frequently starting oil and gas leasehold bidding wars against one another, Ward and McClendon decided to work together.

33. In 1989, Ward and McClendon co-founded Defendant Chesapeake Energy. McClendon was Chesapeake's Chairman and Chief Executive Officer. Ward was Chesapeake's Chief Operating Officer.

34. In February 2006, Ward left Chesapeake and founded SandRidge Energy after purchasing a controlling stake in Texas gas producer Riata Energy.

35. After Ward left Chesapeake, McClendon and Ward continued to maintain a close personal and business relationship. In an October 2006 interview, when asked if "part of the reason [Ward] left Chesapeake had to do with a philosophical difference between [him] and Aubrey [McClendon]," Ward responded, "Not at all. I still work very closely with Aubrey on other business we're involved with. I think he runs the best oil and gas company in the world." Furthermore, through at least 2008, McClendon and Ward co-founded and operated the hedge fund, Heritage Management Company, LLC, out of Chesapeake's headquarters. Heritage managed \$200 million dollars in assets, consisting primarily of oil and gas interests. McClendon and Ward also each had an ownership interest in the Oklahoma City Thunder National Basketball Association franchise, with McClendon having a 20% ownership stake in the team.

The Anadarko Basin Region

36. The "Anadarko Basin Region," as that term is defined in this Complaint, encompasses around 70,000 square miles in parts of northwest Oklahoma, north Texas, southeast Colorado, and Kansas.¹ It includes the Anadarko Woodford Shale Play, the South Oklahoma Woodford Shale Play, and the Mississippian Lime Play.

¹ The Anadarko Basin Region is located within the following counties:

Oklahoma: Alfalfa, Atoka, Beckham, Blaine, Caddo, Canadian, Carter, Coal, Cotton, Creek, Dewey, Ellis, Garfield, Garvin, Grady, Grant, Greer, Harmon, Harper, Hughes, Jackson, Jefferson, Kay, Kingfisher, Kiowa, Lincoln, Logan, Major, McClain, McIntosh, Noble, Osage,

37. The Anadarko Basin Region is one of the deepest and most prolific hydrocarbon producing fields in the continental United States. The 2011 U.S. Geological Survey estimated the Anadarko Basin Region to have 495 million barrels of oil, 27.5 trillion cubic feet of natural gas, and 410 million barrels of natural gas liquids.

38. Oil from the Anadarko Basin is primarily light, sweet crude, meaning that it has a low density and contains low levels of sulfur. Light, sweet crude can be sold for a high price relative to other types of oil because it is cheaper and easier to refine into high-value products like gasoline, diesel fuel, heating oil, and jet fuel.

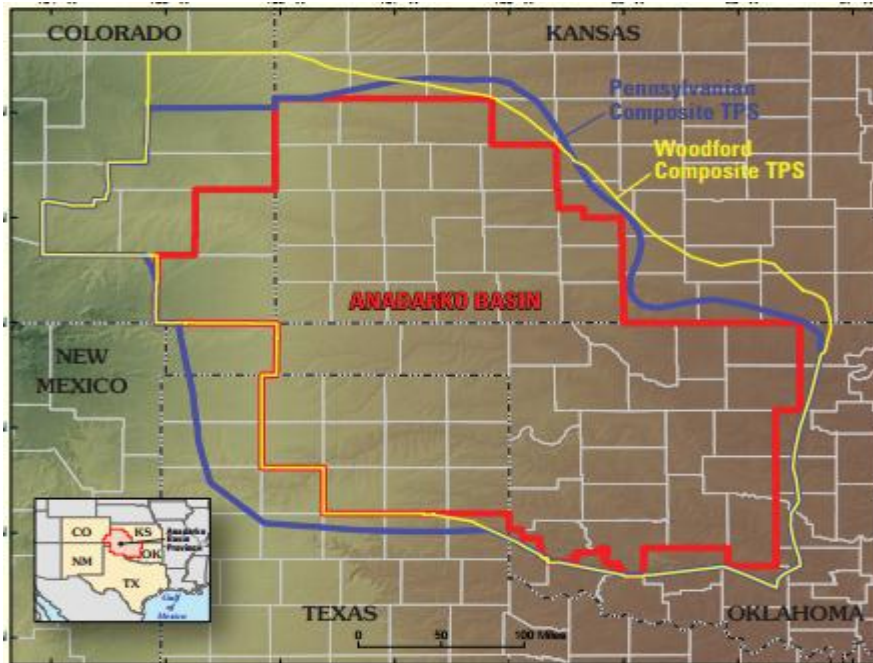
39. The following map illustrates the geographic reach of the Anadarko Basin Region:

Pawnee, Payne, Pittsburg, Roger Mills, Stephens, Tulsa, Washington, Washita, Woods, Woodward.

Texas: Sherman, Hansford, Ochiltree, Lipscomb, Moore, Hutchinson, Roberts, Hemphill, Potter, Carson, Gray, Wheeler, Donley, and Collingsworth.

Colorado: Baca and Prowers.

Kansas: Barber, Butler, Clark, Coffey, Comanche, Cowley, Dickinson, Edwards, Elk, Finney, Ford, Gove, Grant, Gray, Greenwood, Harper, Harvey, Haskell, Hodgeman, Kearny, Kingman, Kiowa, Lane, Logan, Lyon, Marion, McPherson, Meade, Montgomery, Ness, Pawnee, Pratt, Reno, Rice, Rush, Saline, Scott, Sedgwick, Seward, Sheridan, Sherman, Stafford, Stevens, Sumner, Thomas, Trego, Wallace, Wilson, Wichita, and Woodson.



40. Although the Anadarko Basin Region has long been exploited using conventional vertical drilling technology, until recently, it was not economically feasible to extract much of the shale oil and gas that was believed to exist there.

41. Around 2007, however, historically high oil prices (which peaked in June 2008 at nearly \$145 per barrel for West Texas Intermediate Crude) and technological innovations in horizontal drilling and hydraulic fracturing combined to make the drilling of deep horizontal wells in the Anadarko Basin Region economically profitable.

Defendants' Collusive Land Acquisitions in the Anadarko Basin Region

42. During the Class Period, Defendants were actual and potential competitors for the acquisition of the leasehold interests and interests in producing properties in the Anadarko Basin Region, which are the subject of the combination and conspiracy alleged in this Complaint.

43. Chesapeake and SandRidge pursued similar strategies of quickly and aggressively acquiring vast holdings of oil and gas leaseholds in the Anadarko Basin Region.

44. Chesapeake described its "land grab" strategy as follows:

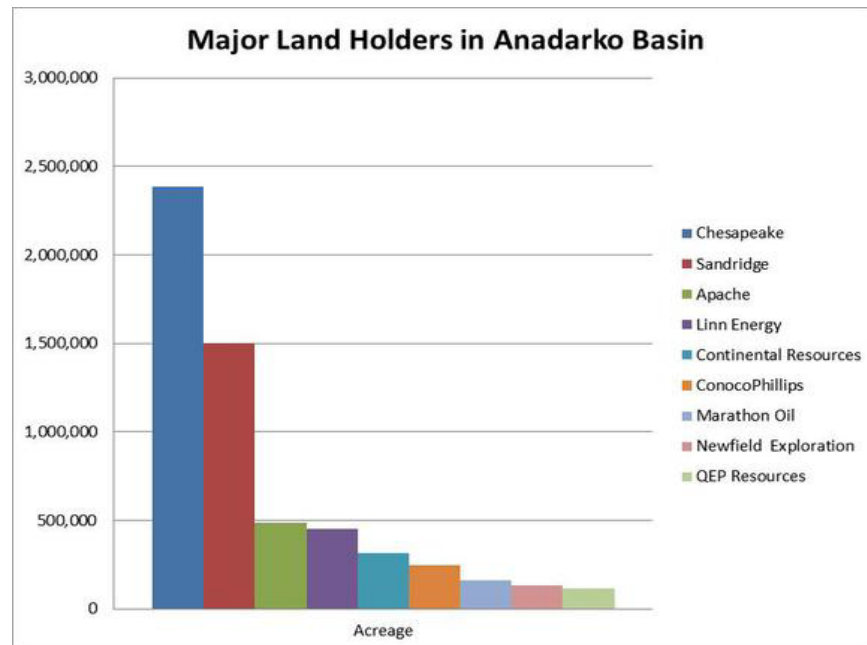
Recognizing that better horizontal drilling and completion technologies, when applied to various new unconventional plays, would likely create a unique opportunity to capture decades worth of drilling opportunities, we embarked on an aggressive lease acquisition program, which we have referred to as the “gas shale land grab” of 2006 through 2008 and the “unconventional oil land grab” of 2009 and 2010. We believed that the winner of these land grabs would enjoy competitive advantages for decades to come as other companies would be locked out of the best new unconventional resource plays in the U.S. We believe that we have executed our land acquisition strategy with particular distinction.

45. SandRidge similarly explained:

While the Mississippian formation in Oklahoma and Kansas had been developed with vertically drilled wells for many decades, its potential had gone largely unnoticed and untapped until the Company quietly and inexpensively leased millions of acres, which it is now aggressively developing. As results were realized by the Company in the play, large independent producers and major integrated multinational companies turned their attention to the area and invested significant amounts of their own capital, driving up acreage costs after the Company had completed the large bulk of its planned acreage purchases.

46. In furtherance of this strategy, Chesapeake and SandRidge hired thousands of employees to review databases containing millions of property records. Using these records, they were able to rapidly identify the owners of titles to land in prime shale territories.

47. By 2012, Chesapeake’s and SandRidge’s holdings of oil and gas leaseholds were by far the two largest by acreage in the Anadarko Basin Region:

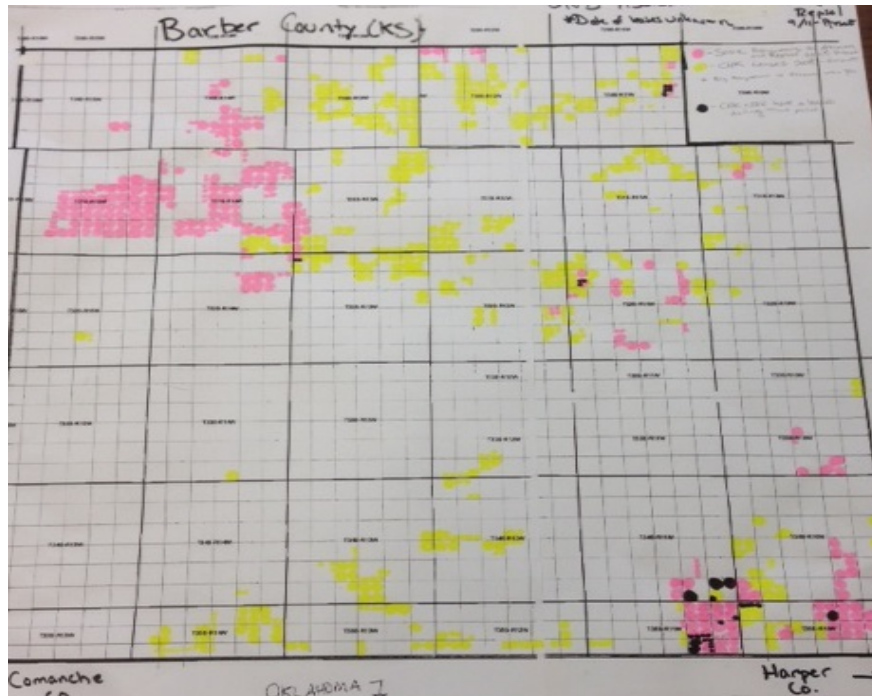


48. For instance, in 2012, Chesapeake had amassed approximately 2.4 million net acres and SandRidge more than 1.5 million net acres in the Anadarko Basin Region's Mississippian Lime Play. The next largest owner of oil and gas leaseholds had fewer than 600,500 net acres.

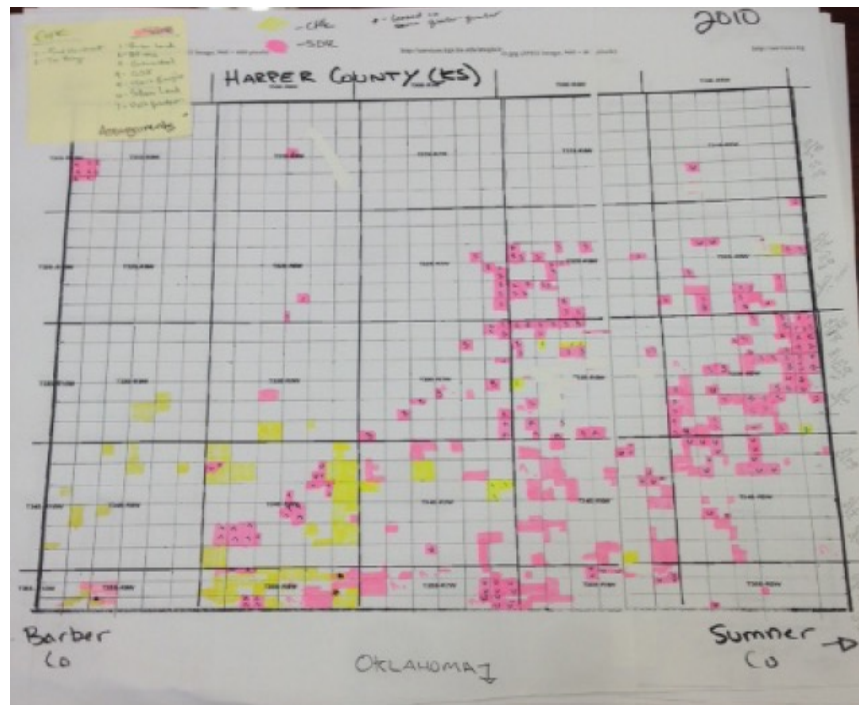
49. During the class period, Defendants and their representatives discussed and agreed on which parcels of land in the relevant area each would bid on and lease, and at what prices. For example, following Chesapeake's "Monday morning board meetings," Chesapeake and SandRidge both made artificially suppressed bonus and royalty payments to class members and capped these payments at the same prices. These meetings were common knowledge among landmen for both companies and dictated the offers they would make for the given week. Senior officials of both companies, including then-Chesapeake CEO McClendon and then-SandRidge CEO Ward, knew about and condoned these meetings and the subsequent bidding practices that resulted from them.

50. Chesapeake and SandRidge often purchased mineral interests in different geographic areas within the various counties in the Anadarko Basin Region, including the Mississippian Lime Play, avoiding direct competition over the same tracts. These purchases were pursuant to and in furtherance of their conspiracy to rig bids and allocate customers and markets.

51. The following map, for example, charts mineral rights purchased by Defendants during the class period for Barber County, Kansas (with pink parcels representing SandRidge purchases and yellow parcels representing Chesapeake purchases):



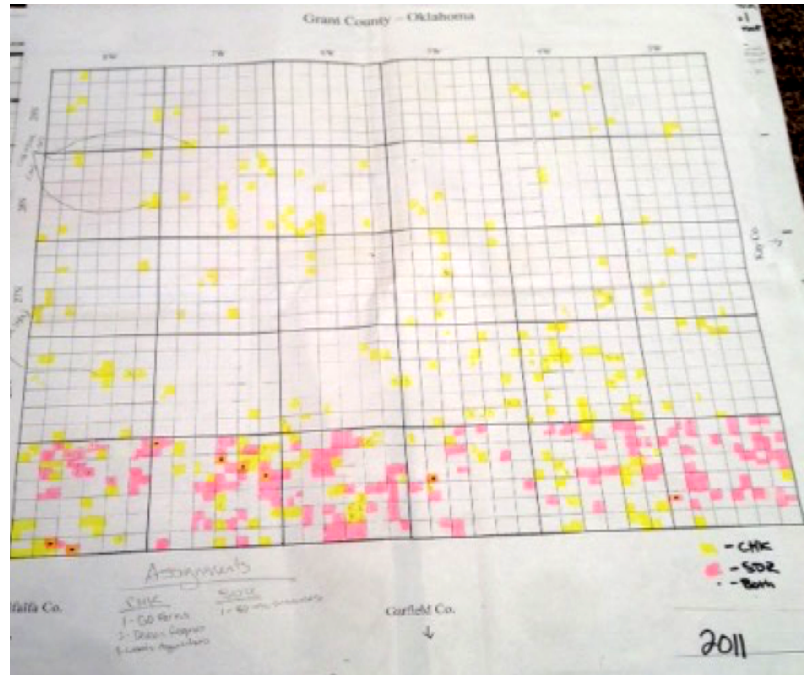
52. The following map tracks mineral rights purchased by Defendants in 2010 for Harper County, Kansas (with pink parcels representing SandRidge purchases and yellow parcels representing Chesapeake purchases):



53. The following map tracks mineral rights purchased by Defendants in 2010 for Garfield County, Oklahoma (with the pink parcels representing SandRidge purchases and the yellow parcels representing Chesapeake purchases):



54. And the following map charts mineral rights purchased by Defendants in 2011 for Grant County, Oklahoma (with the pink parcels representing SandRidge purchases and the yellow parcels representing Chesapeake purchases):



55. The impact of Defendants' illegal agreements not to compete in the acquisition of leasehold interests or interests in producing properties was to artificially reduce bonus and royalty payments to landowners in the Anadarko Basin Region during the class period. For instance, royalty rates in the Mississippian Lime generally stayed at 20% or below well after Chesapeake and SandRidge first began acquiring mineral interests in the region. In many other similar "land grabs," royalty rates soon often exceed 25%.

56. Chesapeake and SandRidge reaped considerable financial benefits from the conspiracy at the expense of Anadarko Basin Region land owners. At the end of 2012, Ward noted that the Mississippi Lime formation offers "some of the highest rates of return for horizontal drilling in the U.S. today."

57. McClendon and Ward also personally benefited from the conspiracy.

58. McClendon participated in Chesapeake's "Founder Well Participation Program." ("FWPP"), which permitted McClendon to acquire a maximum 2.5% interest in all new oil and natural gas wells drilled in which Chesapeake held a minimum 12.5% interest.

59. Defendant Ward participated in a similar program at SandRidge Energy. This program, called the "SandRidge Executive Well Participation Program," enabled Ward to obtain up to a 3% interest in all of the wells spudded by or on behalf of Sandridge Energy throughout the Class Period. SandRidge subsequently acquired Ward's interest in many of these wells for tens of millions of dollars.

60. In addition, Ward and his family benefited extensively from the conspiracy through their participation in a large-scale pattern of conflicted related-party transactions. TPG-Axon, a hedge fund that was SandRidge's third-largest shareholder with nearly 7% of its stock, released reports in January and February, 2013 revealing that almost 200 entities controlled by Tom Ward substantially benefited from SandRidge's leasing activity in the Mississippian Lime.

61. One of these Ward-controlled entities, WCT Resources,) acquired mineral interests in 475,000 acres in 22 counties in the Mississippian Lime, making it the fifth largest oil and gas exploration and production company in the area. WCT Resources' land acquisitions were often adjacent to and were concluded within weeks or months of SandRidge's acquisitions.

62. In a number of instances, the Ward-controlled entities acquired mineral interests in advance of SandRidge and then "flipped" these interests to SandRidge or to third parties for millions of dollars in profits.

63. WCT Resources was officially controlled by Ward's son, Tom Ward, and, despite its extensive oil and gas holdings, had fewer than a dozen employees. During much of the class period, WCT Resources' address was SandRidge's headquarters.

64. The following is an example from Barber County, Kansas:

(1) June 2011: WCT acquires acreage				(2) July 2011: SandRidge acquires adjacent acreage				(3) October 2011: WCT sells acreage to Shell			
			WCT		SD	SD	WCT		SD	SD	Shell
			WCT		SD	SD	WCT		SD	SD	Shell
		WCT	WCT			WCT	WCT			Shell	Shell
		WCT	WCT			WCT	WCT			Shell	Shell

65. Much of this behavior was not disclosed by SandRidge to the SEC and shareholders. In part because of these conflicted transactions, Ward was eventually fired as SandRidge's CEO.

The Department of Justice Indicts Aubrey McClendon

66. On March 1, 2016, a grand jury indicted McClendon on the charge of engaging in an unreasonable restraint of commerce in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1. The basis of the indictment is that McClendon and Defendants Chesapeake, SandRidge Energy, and Tom Ward conspired to suppress and eliminate competition by rigging bids for certain leasehold interests and interests in producing properties in the Anadarko Basin Region.

67. The indictment detailed the manner in which McClendon and Defendants carried out the bid rigging combination and conspiracy. According to the indictment, Defendants accomplished the combination and conspiracy by:

- a) engaging in communications concerning certain leasehold interests and producing properties, and the prices therefor, in the Western District of Oklahoma;
- b) agreeing during those communications that [Defendants Chesapeake and SandRidge Energy] would not compete against one another for certain leasehold interests and producing properties in the Western District of Oklahoma either by one company not submitting offers or bids to certain owners of leasehold interests and producing properties, or by one company withdrawing previously submitted offers or bids to certain owners of leasehold interests and producing properties in exchange for a share or a subset of the leasehold interests and/or producing properties purchased by the other company at the acquisition cost;

- c) submitting offers or bids, withholding offers or bids, or acting to withdraw previously submitted offers or bids, to owners of certain leasehold interests and producing properties in the Western District of Oklahoma in accordance with the agreement reached;
- d) acquiring certain leasehold interests and producing properties in the Western District of Oklahoma at collusive and noncompetitive prices and then providing the nonacquiring co-conspirator a share or a subset of the leasehold interests and/or producing properties at the acquiring co-conspirator's cost; and
- e) employing measures to keep their conduct secret, including, but not limited to, agreeing not to reveal their anticompetitive agreement to the owners of the leasehold interests and producing properties at issue in this Indictment, and instructing their subordinates to do the same.

68. This conspiracy artificially depressed the prices of bonus and royalty payments for the leasehold interests and interests in producing properties that Defendants Chesapeake and SandRidge Energy purchased in the Anadarko Basin Region.

69. The conspiracy also affected the overall market for oil and gas leaseholds. Sellers of leasehold interests and interests in producing properties to entities other than Defendants Chesapeake and SandRidge Energy received artificially depressed bonus and royalty payments, despite the fact that they did not sell to Chesapeake and SandRidge Energy.

70. After the McClendon indictment was handed down, Chesapeake disclosed its cooperation in the DOJ's investigation into leasing practices in the oil and gas industry and revealed that it had received conditional leniency under the DOJ Antitrust Division's Leniency Program.

71. In order to receive conditional leniency, a corporation or individual must, among other things, admit to a criminal violation of federal antitrust law.

**McClendon's and Chesapeake's Involvement in
Contemporaneous Anticompetitive Conduct in Michigan**

72. McClendon and Chesapeake have a history of involvement in anticompetitive schemes in the oil and gas industry.

73. In March 2014, the State of Michigan brought criminal antitrust charges against Chesapeake for conspiring with non-parties Encana Corporation and Encana Oil & Gas USA Inc. (collectively "Encana") to rig bids in a 2010 state auction for oil and gas rights in Michigan. In June 2014, the State added felony racketeering and fraud charges for its systematic practice of swindling individual landowners. In April 2015, Chesapeake paid \$25 million to settle both sets of charges and pleaded no contest to misdemeanor charges of attempted antitrust and false pretenses.

74. In early 2010, northern Michigan's Utica/Collingwood shale formation began to draw the attention of the oil and gas industry, based on reports of a successful exploratory well in Missaukee County, Michigan. In May 2010, Michigan auctioned off roughly 120,000 acres of mineral leases for state-owned land. Chesapeake and Encana competed vigorously at this auction, and lease prices averaged \$1,510 per acre.

75. After that auction, McClendon and Encana USA CEO Jeff Wojahn communicated by telephone and email to suppress competition for state leases. Chesapeake and Encana divided the State of Michigan up by counties, allocating bidding rights for each potentially productive county between themselves. They agreed not to bid on leases in each other's allocated counties. Chesapeake and Encana exchanged written proposals detailing this illegal agreement.

76. In October 2010, when the State again auctioned leases for mineral rights, neither company bid in counties allocated to the other. The average price of leases sold at the October 2010 auction was only \$29 per acre.

77. Chesapeake's unlawful collusion did not begin and end with state auctions, however. According to a 2012 civil complaint currently pending in the United States District Court for the Western District of Michigan, Chesapeake's and Encana's agreement not to bid against each other within each other's respective territories extended not only to state, but also private lands. The Complaint in that case quotes email traffic between vice presidents of Chesapeake and Encana dividing up bidding responsibility among northern Michigan counties; it also quotes emails from McClendon himself asking other Chesapeake and Encana executives to "decide who should handle" [i.e., which company should bid on] a private sale. McClendon personally forwarded email traffic between Chesapeake and Encana VPs to Encana USA and Encana Corp.'s CEOs, noting that the illegal agreement not to compete would "save us both some money." McClendon instructed one VP to "smoke a peace pipe with [Encana]" to avoid "bidding each other up"; the VP responded that he had contacted Encana "to discuss how they want to handle the entities we are both working with to avoid us bidding each other up." McClendon responded, "Thanks."

78. While Chesapeake and Encana illegally divided up the State of Michigan between themselves, Chesapeake's agents set about systemically defrauding individual landowners. According to the State of Michigan's June 2014 felony complaint, Chesapeake's land agents "falsely told the landowners that mortgages were 'no problem' on the leased land and offered to handle subordinating those mortgages. Later when competition from competitors had stopped and Chesapeake decided that Michigan's oil and gas prospects were not as lucrative as it liked, Chesapeake ordered mass lease cancellations based on the existence of those mortgages, as well as other pretextual reasons. The massive, orchestrated nature of the scheme indicates that Chesapeake entered into those leases knowing that it would cancel them if Chesapeake so

chose.” As noted above, Chesapeake later chose to settle these charges rather than contest them at trial.

CLASS ALLEGATIONS

79. Plaintiffs bring this action on behalf of themselves and as a class action pursuant to Rule 23(a), (b)(2) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the following subclasses (collectively, the “Class”):

Direct Seller Class: All persons and entities who (1) sold to Defendants² leasehold or working interests on lands within the Anadarko Basin Region with no producing oil and gas of wells or (2) who owned tracts of land within the Anadarko Basin Region with producing oil and gas wells where Defendants purchased such land’s leasehold and working interests, at any time between December 27, 2007 and March 31, 2012. Excluded from the class are Defendants, any parent, subsidiary or affiliate thereof, and Defendants’ officers, directors, employees, and immediate families.

Diminution in Sales Price Class: All persons and entities who (1) sold to parties other than Defendants leasehold or working interests on lands within the Anadarko Basin Region with no producing oil and gas wells or (2) who owned tracts of land within the Anadarko Basin Region with producing oil and gas wells where such leasehold or working interests were sold to a party other than Defendants, at any time between December 27, 2007 and March 31, 2012. Excluded from the class are Defendants, any parent, subsidiary or affiliate thereof, and Defendants’ officers, directors, employees, and immediate families.

80. The Class is so numerous that joinder of all members is impracticable. On information and belief, it contains hundreds, if not thousands, of geographically dispersed individuals and entities.

81. Plaintiffs’ claims are typical of the claims of the members of the Class because Plaintiffs and all Class members share the same injury, as they were all damaged by Defendants’ actions, which caused them to be underpaid for their mineral rights.

² “Defendants” as used in the class definition include any predecessor, subsidiary, agents (such as landmen), or affiliate of Defendants.

82. Plaintiffs will fairly and adequately assert and protect the interests of the Class. Plaintiffs' interests are coincident with, and not antagonistic to, those of the other members of the Class.

83. Plaintiffs are represented by experienced and respected counsel in the prosecution of antitrust and class action litigation.

84. There are questions of law and fact which are common to the claims of Plaintiffs and the Class, including, but not limited to:

- a) Whether Defendants engaged in a combination or conspiracy with their co-conspirators to rig bids or allocate the market for the purchase of leasehold interests and interests in producing properties;
- b) Whether the purpose and/or effect of the acts and omissions alleged herein was to restrain trade, or to affect, fix, or depress the price of leasehold interests and interests in producing properties;
- c) Whether Defendants violated Section 1 of the Sherman Act;
- d) Whether Defendants' agents, officers, employees, or representatives participated in correspondence and meetings in furtherance of the illegal conspiracy alleged herein, and, if so, whether such agents, officers, employees, or representatives were acting within the scope of their authority and in furtherance of Defendants' business interests;
- e) The duration and extent of the conspiracy;
- f) Whether, and to what extent, the conduct of Defendants caused injury to Plaintiffs and members of the Class;
- g) The appropriate measure and amount of damages; and

h) Whether Plaintiffs and members of the Class are entitled to injunctive relief to prevent the continuation or furtherance of the violation of Section 1 of the Sherman Act.

85. The questions of law and fact common to the members of the Class predominate over any questions affecting only individual members.

86. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because it would: (a) efficiently resolve large numbers of similar claims; (b) avoid the risk that the prosecution of separate actions by individual members of the Class would create inconsistent or varying adjudications; and (c) permit the adjudication of relatively small claims by many Class members who otherwise could not afford to litigate an antitrust claim such as is asserted in this complaint on an individual basis.

87. This class action presents no difficulties of management that would preclude its maintenance as a class action.

TOLLING

88. Plaintiffs had neither actual nor constructive knowledge of the facts constituting their claim for relief.

89. Plaintiffs and members of the Class did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the conspiracy alleged herein until at or about March 1, 2016, the date on which the indictment of McClendon and the unnamed co-conspirators became public.

90. Defendants engaged in a secret conspiracy that did not reveal facts that would put Plaintiffs or the Class on inquiry notice that there was a conspiracy to fix prices for leasehold interests and interests in producing properties.

91. Accordingly, Plaintiffs could not have had either actual or constructive knowledge of the price fixing scheme until McClendon and the unnamed co-conspirators indictment became public.

92. Because Defendants' agreement, understanding and conspiracy was kept secret, Plaintiffs and members of the Class were unaware of Defendants' unlawful conduct alleged herein and did not know that the prices for which they sold their leasehold interests or interests in producing properties were artificially depressed during the Class Period.

COUNT I

Violation of Section 1 of the Sherman Act (15 U.S.C. §§ 1)

93. Plaintiffs incorporate by reference the preceding paragraphs as if fully set forth herein.

94. Defendants and their co-conspirators engaged in a continuing combination and conspiracy to rig bids and unlawfully depress the prices of leasehold interests and interests in producing properties within the United States, its territories, and the District of Columbia in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).

95. Defendants and their co-conspirators agreed to, and did in fact, restrain trade or commerce by bid rigging and depressing the prices for leasehold interests and interests in producing properties below competitive levels.

96. In formulating and effectuating their combination or conspiracy, Defendants and their co-conspirators engaged in bid rigging and other anticompetitive activities, the purpose and effect of which were to artificially depress the price of leasehold interests and interests in producing properties.

97. The illegal combination and conspiracy alleged herein had the following effects, among others:

- a) The prices Defendants paid Plaintiffs and members of the Class for leasehold interest and interests in producing properties were artificially depressed below competitive levels;
- b) Plaintiffs and members of the Class have been deprived of free and open competition in sales of their leasehold interests and interests in producing properties;
- c) Plaintiffs and members of the Class have sold their leasehold interests and interests in producing properties for less than they would have had they sold in a competitive marketplace where Defendants' combination and conspiracy was absent; and
- d) Competition for the purchase of leasehold interests and interests in producing properties have been restrained.

98. As a direct and proximate result of Defendants' conduct, Plaintiffs and members of the Class have been injured and damaged in their business and property in an amount to be determined according to proof.

DEMAND FOR JURY TRIAL

99. Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiffs demand a jury trial as to all issues triable by a jury.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

- a) Declaring this action to be a proper class action pursuant to Rule 23(a), (b)(2), and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined above;
- b) That the contract, combination, or conspiracy, and the acts done in furtherance thereof by Defendants be adjudged to have violated Section 1 of the Sherman Act, 15 U.S.C. § 1;
- c) That judgment be entered for Plaintiffs and Class members against Defendants jointly and severally for three times the amount of damages sustained by Plaintiffs and the Class as allowed by law;
- d) That Plaintiffs and the Class recover pre-judgment and post-judgment interest as permitted by law;
- e) That Plaintiffs and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and
- f) That Defendants and their co-conspirators, their respective successors, assigns, parents, subsidiaries, affiliates and transferees, and their respective officers, directors, agents and employees, and all other persons acting or claiming to act on behalf of Defendants or their coconspirators, or in concert with them, be permanently enjoined and restrained from, in any manner, directly or indirectly, continuing, maintaining or renewing the combination, conspiracy, agreement, understanding or concert of action, or adopting any practice, plan, program or design having a similar purpose or affect in restraining competition; and
- g) For such other and further relief as is just and proper under the circumstances.

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Respectfully submitted,

/s/ Douglas D. Wilguess

Douglas D. Wilguess, OBA No. 16337
Heather A. Garrett, OBA No. 19099
WILLGUESS & GARRETT, PLLC
One Leadership Square
211 N. Robinson, Suite 1350
Oklahoma City, OK 73102
Telephone: (405) 235-0200
Facsimile: (405) 232-6515
wilguess@wgokc.com
garrett@wgokc.com

Larry D. Lahman
Michael E. Kelly
Carol Hambrick Lahman
Robert L. Ediger
MITCHELL DECLERCK
202 West Broadway Avenue
Enid, Oklahoma 73701
Tel: (800) 287-5144
larry.lahman@sbcglobal.net
mek@mdpllc.com
carollahman@gmail.com
rle@mdpllc.com

Christopher J. Cormier
(*Admitted Pro Hac Vice*)
COHEN MILSTEIN SELLERS & TOLL PLLC
2443 S. University Blvd., No. 232
Denver, CO 80210-5407
Telephone: (720) 583-0650
ccormier@cohenmilstein.com

Richard A. Koffman
Emmy L. Levens
Robert W. Cobbs
(*Admitted Pro Hac Vice*)
COHEN MILSTEIN SELLERS & TOLL PLLC
1100 New York Ave. NW
Suite 500, West Tower
Washington, DC 20005
Telephone: (202) 408-4600
rkoffman@cohenmilstein.com

elevens@cohenmilstein.com
rcobbs@cohenmilstein.com

Warren T. Burns
Daniel H. Charest
Will Thompson
(*Admitted Pro Hac Vice*)
BURNS CHAREST LLP
500 North Akard Street, Suite 2810
Dallas, Texas 75201
Telephone: (469) 904-4550
Facsimile: (469) 444-5002
wburns@burnscharest.com
dcharrest@burnscharest.com
wthompson@burnscharest.com

Issac Diel
(*Pro Hac Vice* to be filed)
SHARP MCQUEEN PA
6900 College Boulevard Suite 285
Overland Park, Kansas 66211
Telephone: (913) 661-9931
idiel@sharpmcqueen.com

Terrell W. Oxford
(*Pro Hac Vice* to be filed)
SUSMAN GODFREY LLP
1000 Louisiana
Suite 5100
Houston, Texas 77002-5096
Tel: (713) 651-9366
FAX: (713) 654-6666
toxford@susmangodfrey.com

William C. Carmody
Arun Subramanian
(*Pro Hac Vice* to be filed for all)
SUSMAN GODFREY L.L.P.
560 Lexington Ave., 15 Floor
New York, NY 1002-6828
Telephone: (212) 336-8330
Facsimile: (212) 336-8340
bcarmody@susmangodfrey.com
asubramanian@susmangodfrey.com

COUNSEL FOR PLAINTIFFS