



Jeff Landry
Attorney General

State of Louisiana

DEPARTMENT OF JUSTICE
CIVIL DIVISION
P.O. BOX 94005
BATON ROUGE
70804-9005

EAST BATON ROUGE PARISH C-727403
Filed Jan 05, 2023 3:02 PM 22
Deputy Clerk of Court

January 4, 2023

Hon. Doug Welborn
Clerk of Court
East Baton Rouge Parish
300 North Boulevard
Baton Rouge, LA 70801

Re: PETITION FOR SPECIFIC PERFORMANCE AND DECLARATORY
JUDGEMENT
*THE STATE OF LOUISIANA, BY AND THROUGH THE STATE MINERAL AND
ENERGY BOARD CHESAPEAKE LOUISIANA, L.P.*
19th JDC, East Baton Rouge Parish

Dear Mr. Welborn:

Enclosed with this letter, please find an original and one copy of the State's PETITION FOR SPECIFIC PERFORMANCE AND DECLARATORY JUDGEMENT in the above-captioned matter. Please file the original into the record of this matter and return the copy, conformed and date-stamped, in the enclosed envelope. Inasmuch as this request is made on behalf of the State, no court costs are due. Should you have any questions or concerns, please do not hesitate to contact me at (225) 326-6000 or via e-mail at BatesW@ag.louisiana.gov.

With best regards, I am,

Very truly yours,

JEFF LANDRY
ATTORNEY GENERAL

By:


Warren Bates, Jr.
Assistant Attorney General

JL/WBB

EAST BATON ROUGE PARISH C-727403
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STATE OF LOUISIANA

PARISH OF EAST BATON ROUGE

NINETEENTH JUDICIAL DISTRICT COURT

DOCKET NO. _____

DIVISION _____

THE STATE OF LOUISIANA,
BY AND THROUGH THE STATE MINERAL AND ENERGY BOARD

v.

CHESAPEAKE LOUISIANA, L.P.

FILED: _____

DEPUTY CLERK: _____

PETITION FOR SPECIFIC PERFORMANCE AND DECLARATORY JUDGEMENT

NOW INTO COURT, through undersigned counsel, comes THE STATE OF LOUISIANA, by and through the STATE MINERAL AND ENERGY BOARD (“the State”), who prays that this Honorable Court order the payment of liquidated damages due pursuant to Louisiana law and the contractual obligations set forth within the operating agreements entered into with the defendant, to wit:

Introduction

1.

On or about December 2014, Chesapeake Louisiana, L.P. (“Chesapeake”), a foreign partnership licensed to do business in the State of Louisiana, entered into nine operating agreements—AO 345, AO 346, AO 347, AO 348, AO 349, AO 350, AO 351, AO 352, and AO 353—with the State. Chesapeake has now breached these agreements (attached hereto *in globo* as Exhibit A).

Parties

2.

The Plaintiff is:

The State of Louisiana, by and through the State Energy and Mineral Board, acting through Attorney General, Jeff Landry. The State is a juridical person, having its seat of government in East Baton Rouge Parish, State of Louisiana.

EXHIBIT
A

RESOLUTION

LOUISIANA STATE MINERAL AND ENERGY BOARD

On motion of Mr. Sanders, seconded by Mr. Segura, the following Resolution was offered and adopted:

BE IT RESOLVED by the State Mineral and Energy Board that Docket Item No. 14-50 from the December 10, 2014, Meeting be approved, said instrument being an Operating Agreement by and between the State Mineral and Energy Board of Louisiana and Chesapeake Louisiana, L.P., to create an operating tract for the exploration and development of oil, gas and/or condensate and other liquid hydrocarbon, which proposal allocates to the State a State Production Interest equal to 25% before payout and increasing to 27.5% after Payout, of Fair Market Value, covering disputed acreage, said Operating Tract containing 147.408 acres, more or less, which is illustrated on Exhibit "A" attached hereto, Section 14, Township 14 North, Range 12 West, Red River Parish, Louisiana, and limited to all depths below the base of the Cotton Valley formation, which is illustrated on Exhibit "A" attached hereto, with further particulars being stipulated in the instrument.

BE IT FURTHER RESOLVED that either the Chairman, Vice-Chairman, Secretary, Deputy Assistant Secretary, Chief Landman or any other authorized person be and he is hereby authorized to reflect the approval of the instrument by signing said instrument for the Board.

CERTIFICATE

I hereby certify that the above is a true and correct copy of a Resolution adopted at a meeting of the State Mineral and Energy Board held in the City of Baton Rouge, Louisiana, on the 10th day of December, 2014 pursuant to due notice, at which meeting a quorum was present, and that said Resolution is duly entered in the Minute Book of said Board and is now in full force and effect.



State Mineral and Energy Board

EXHIBIT
B

MUTUAL RELEASE AND SETTLEMENT AGREEMENT

This Mutual Release and Settlement Agreement (the "*Agreement*") is made and entered into by and among the following parties:

State of Louisiana (the "*State*"), through the State Land Office, Division of Administration, the State Mineral and Energy Board (the "*Board*"), the Louisiana Department of Wildlife and Fisheries, and Louisiana Wildlife and Fisheries Commission herein represented by Jeff Landry, Attorney General;

Michael Stirling Albritton, an individual of full age of majority and resident of Louisiana;

ASA Properties Limited Partnership, a Louisiana limited partnership, with its principal place of business in Louisiana;¹

Succession of Andrew Stirling Albritton, a Louisiana succession with Michael Albritton named administrator;

Succession of Ruth Taber Albritton, a Louisiana succession with Michael Albritton named administrator;

Alvin & Louise Albritton Memorial Fund, L.L.C., a Louisiana limited liability company, with its principal place of business in Louisiana;

Alvin & Louise Albritton Memorial Fund II, L.L.C., a Louisiana limited liability company, with its principal place of business in Louisiana;

Stirling Minerals, L.L.C., a Louisiana limited liability company, with its principal place of business in Louisiana;

Albritton Investments, L.L.C., a Louisiana limited liability company, with its principal place of business in Louisiana;

Pintail Properties, L.L.C., a Louisiana limited liability company, with its principal place of business in Louisiana;²

¹ During the pendency of the various concursus proceedings, ASA Properties Limited Partnership transferred some of its interest in the minerals at issue to the Alvin & Louise Albritton Memorial Fund II, L.L.C.

² Pintail Properties, L.L.C. no longer exists. Its interests in the minerals at issue are now owned by ECRF Louisiana, L.L.C. and MLAL Holdings LLC.



Jeff Landry
Attorney General

State of Louisiana

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70804-9005

EXHIBIT
C

EAST BATON ROUGE PARISH C-727403
Filed Jan 05, 2023 3:02 PM 22
Deputy Clerk of Court

March 22, 2022

Mr. Kyle Jensen, CPL
Senior Staff Landman
Chesapeake Energy Corporation
P.O. Box 18496
Oklahoma City, OK 73154

VIA ELECTRONIC AND CERTIFIED U.S. MAIL
kyle.jensen@chk.com

Re: Demand for payment of liquidated damages under State operating agreements A0345, A0346, A0347, A0348, A0349, A0350, A0351, A0352, and A0353

Dear Mr. Jensen:

Please accept this letter as formal demand for non-payment of liquidated damages under State operating agreements A0345, A0346, A0347, A0348, A0349, A0350, A0351, A0352, and A0353. We acknowledge that Chesapeake Energy Corporation ("Chesapeake") has already paid the State 45% of the liquidated damages due under these operating agreements. However, consistent with Chesapeake's payment of 100% to the State of the first series of liquidated damage payments for the operating agreements, the full 100% is now past due.

As you are aware, the liquidated damages portion of these operating agreements is separate from the royalty obligations thereunder. The royalty payments are now controlled by the settlement document entered into among the State and various Albritton parties and implemented as a consent judgment by the court in the matter of July 28, 2021. However, the royalty split in the settlement and consent judgment does not impact Chesapeake's liquidated damages obligations under the above-referenced operating agreements.

At present, the remaining 55% due and owing to the State under these operating agreements is \$2,581,614.75. Please note that this amount does not include interest and penalties. Those amounts will be calculated once the principle is paid and will continue to accrue until the payment of the liquidated damages is fulfilled.

The State of Louisiana demands that all sums due be paid immediately to the Office of Mineral Resources. This demand is made in accordance with La. R.S. 31:137, *et seq.* Failure to pay within thirty days may result in judicial demand by the State for all remedies prescribed by law, including all sums due, double the amount due as damages, and lease dissolution.

STATE OF LOUISIANA
PARISH OF EAST BATON ROUGE
NINETEENTH JUDICIAL DISTRICT COURT

DOCKET NO. _____

DIVISION _____

THE STATE OF LOUISIANA,
BY AND THROUGH THE STATE MINERAL AND ENERGY BOARD

v.

CHESAPEAKE LOUISIANA, L.P.

FILED: _____

DEPUTY CLERK: _____

PETITION FOR SPECIFIC PERFORMANCE AND DECLARATORY JUDGEMENT

NOW INTO COURT, through undersigned counsel, comes THE STATE OF LOUISIANA, by and through the STATE MINERAL AND ENERGY BOARD (“the State”), who prays that this Honorable Court order the payment of liquidated damages due pursuant to Louisiana law and the contractual obligations set forth within the operating agreements entered into with the defendant, to wit:

Introduction

1.

On or about December 2014, Chesapeake Louisiana, L.P. (“Chesapeake”), a foreign partnership licensed to do business in the State of Louisiana, entered into nine operating agreements—AO 345, AO 346, AO 347, AO 348, AO 349, AO 350, AO 351, AO 352, and AO 353—with the State. Chesapeake has now breached these agreements (attached hereto *in globo* as Exhibit A).

Parties

2.

The Plaintiff is:

The **State of Louisiana, by and through the State Energy and Mineral Board**, acting through Attorney General, Jeff Landry. The State is a juridical person, having its seat of government in East Baton Rouge Parish, State of Louisiana.

3.

The Plaintiff, under La. R.S. 30:129 and La. R.S. 30:137 is empowered to enter into leases and agreements with parties to oil, gas, and other minerals to offset, compensate, and recover royalties thereafter accruing from on lands of the State of Louisiana.

4.

The Plaintiff, pursuant to La. R.S. 30:209 is authorized to enter into operating agreements with parties for the exploration and development of the mineral resources on lands belonging to the State in situations determined to be in the best interests of the State.

5.

Made defendant herein is **Chesapeake Louisiana, L.P.**, an Oklahoma partnership licensed to do business and doing business in the State of Louisiana and having its principal business establishment in Baton Rouge, Louisiana.

6.

Chesapeake is domiciled at 6100 North Western Avenue, Oklahoma City, OK 73118, and may be served through its registered agent, C T Corporation System, 3867 Plaza Tower Dr., Baton Rouge, LA 70816.

Jurisdiction

7.

Jurisdiction is proper pursuant to La. C.C.P. arts. 1-9. Jurisdiction is proper here because the Board's domicile is in East Baton Rouge Parish and the agreements that are the subject of this dispute were confected in East Baton Rouge Parish. La. R.S. 30:121.

Venue

8.

Venue is proper in the Parish of East Baton Rouge pursuant to La. C.C.P. art. 76.1, as this is an action on a contract that was executed in East Baton Rouge Parish.

Material Facts

9.

This present lawsuit concerns Chesapeake's actions and inactions, constituting a direct breach of the nine operating agreements between the parties due to its failure to remit the total amount due therein.

10.

Beginning on or about, July 29, 2009, adverse claims were made in the Thirty-Ninth Judicial District Court for Red River Parish on properties leased by Chesapeake in which the State and private landowners disputed mineral interests. *See Stroud Petroleum, Inc. v. Pintail Properties, L.L.C., et al.*, Docket No. 34865, 39th JDC, Red River Parish; *Chesapeake Louisiana, L.P. v. Pintail Properties, L.L.C., et al.*, Docket No. 35565, 39th JDC, Red River Parish; *QEP Energy Company v. Pintail Properties, L.L.C., et al.*, Docket No. 35801, 39th JDC, Red River Parish; *Petrohawk Operating Company v. Chesapeake Louisiana, L.P., et al.*, Docket No. 35903, 39th JDC, Red River Parish; and *State of Louisiana v. ASA Properties, L.P., et al.*, Docket No. 35809, 39th JDC, Red River Parish.

11.

The Thirty-Ninth Judicial District Court consolidated the various actions among private owners, the State, and various mineral lessees and operators (including Chesapeake), under the caption and docket number of *Stroud Petroleum, Inc. v. Pintail Properties, L.L.C., et al.*, Docket No. 34865, Thirty-Ninth Judicial District Court, Red River Parish.

12.

To avoid the expense and uncertainty of continued litigation, the landowning claimants entered into a settlement agreement entitled, *Mutual Release and Settlement Agreement*, on March 29, 2021 (*see* Exhibit B).

13.

Prior to settlement, in order to secure the acreage, irrespective of the outcome of the above-noted litigation, Chesapeake entered into leases with the private landowners and entered into the aforementioned operating agreements with the State.

14.

Chesapeake agreed to pay a sum (Liquidated Damages) to secure any interest that the State may own in the properties. These payments are described as the "First Liquidated Damage Payment" in the various operating agreements (*see* Exhibit A at pp. 4-5 of each operating agreement, respectively).

15.

Pursuant to the operating agreements, if there occurred a court determination or a settlement among the landowner parties that the State should own acreage within the disputed properties, the remaining sum should be paid. This remaining sum is described as the "Second Liquidated Damage Payment" within the operating agreements (*see* Exhibit A at pp. 18-19 of each operating agreement, respectively).

16.

Four of the instruments—AO 349, AO 350, AO 351, and AO 353—are operating agreements by and between the State and Chesapeake to create an operating tract for the exploration and development of oil, gas, and/or condensate and other liquid hydrocarbons (*see* Exhibit A at pp. 1-112).

17.

The other five instruments—AO 345, AO 346, AO 347, AO 348, and AO 352—are operating agreements by and between the State (and ratified by the Louisiana Department of Wildlife and Fisheries and the Louisiana Wildlife and Fisheries Commission) and Chesapeake to create an operating tract for the exploration and development of oil, gas, and/or condensate and other liquid hydrocarbons (*see* Exhibit A at pp. 113-258).

18.

In accordance with Part II (II. Consideration) of the operating agreements, Chesapeake remitted to the State the First Liquidated Damage payments in full in the total amount of \$938,769.00 on December 26, 2014 for all the aforementioned operating agreements.

19.

On or about March 29, 2021, the landowning parties settled their disputes as to the mineral rights and interests associated with each tract by way of a royalty allocation, reserving one another's claims of title to the subject property as noted above and triggering the second effective date as described in the operating agreements.

20.

The State, as required by the operating agreements, sent Chesapeake notice of the settlement and Chesapeake is aware that the settlement applies to: (1) all proceeds deposited in the

consolidated concursus proceedings; and (2) all other proceeds on production from and after the effective date of the settlement attributable to the disputed mineral interests (Exhibit C).

21.

Part II of each operating agreement states, “[t]he second payment of Liquidated Damage Payment shall be paid...(herein referred to as the “Second Liquidated Damage Payment”) and shall be paid only in the event of the occurrence of events triggering the Secondary Effective Date as defined in Part IV.A of this Agreement.”

22.

Contrary to the language of the operating agreements and their obligations thereunder, Chesapeake failed to remit \$2,112,230.25 of the \$4,693,845.00 Second Liquidated Damage Payment described and entirely calculated in Part II of the operating agreements.

23.

Chesapeake underpaid the State by \$2,581,614.75.

24.

The Second Liquidated Damage Payment is specific to each tract as calculated within the operating agreements’ “Consideration” article and is represented as follows:

Operating Agreement	Operator	Acres	Second Payment
A0345	Chesapeake	79.951	\$399,755.00
A0348	Chesapeake	20.001	\$100,005.00
A0346	Chesapeake	201.987	\$1,009,935.00
A0351	Chesapeake	79.409	\$397,045.00
A0352	Chesapeake	142.174	\$710,870.00
A0349	Chesapeake	147.408	\$737,040.00
A0347	Chesapeake	235.424	\$1,177,120.00
A0353	Chesapeake	30.118	\$159,590.00
A0350	Chesapeake	2.297	\$11,485.00
Total		938.769	\$4,693,845.00

25.

The entirety of the Second Liquidated Damage Payment was required to be paid upon the occurrence of events triggering the Secondary Effective Date as defined in Part IV.A of each of the operating agreements.

26.

Part IV.A of each of the operating agreements described the Secondary Effective Date as one of the following triggering events:

the rendering of a non-appealable and final judgment in the Lawsuit, [(mentioned above)] wherein it is determined that the State is the owner of the mineral rights in, on, and under the Operating Tract; or (2) a binding settlement is executed by the parties to the lawsuit agreeing to the allocation of production and apportionment thereof. which said allocation of production and apportionments shall be made applicable to this operating agreement[s] The date of occurrence for the earliest of these triggering events shall be referred to herein as the Secondary Effective Date.

27.

The settlement of the various lawsuits described above triggered the occurrence of the Secondary Effective Date which required Chesapeake to remit the entirety of the Second Liquidated Damage Payments.

28.

After the Secondary Effective Date, Chesapeake has failed to remit the entire amount owed and included in the State's demand.

29.

Chesapeake has breached Part IV of the operating agreements by not paying in full the Second Liquidated Damage Payment upon demand and notice of the occurrence of a condition precedent.

30.

Chesapeake is indebted to the State in the amount of not less than the balance of \$2,581,614.75, together with interest from date of judicial demand from March 22, 2022, and other damages to be proven at the trial of this matter.

31.

After demand and as of the date of this filing, Chesapeake has failed to remit the entire amount of the contractually mandated payments.

32.

Chesapeake's failure to adhere to the terms of the operating agreements constitutes nine separate instances of breach of contract in violation of La. C.C. art. 1983, and the State demands specific performance pursuant to La. C.C. art. 1994.

33.

For the reasons stated above, Chesapeake is in violation of Louisiana law and the Operating Agreements, and it should be ordered to pay the entire sum due to the State of Louisiana, in accordance with the requirements of the various operating agreements attached hereto.

Prayer for Relief

WHEREFORE, the STATE OF LOUISIANA prays that, after due proceedings are had, judgment be rendered in favor of the State and against Chesapeake ordering payment of liquidated damages assessed within the operating agreements along with interest from the date of demand, the costs of this proceeding, for all damages, both foreseeable and unforeseeable, caused by Chesapeake's breach of the Operating Agreements and for any and all other equitable relief that this Court deems just and proper.

Respectfully submitted:

**JEFF LANDRY
ATTORNEY GENERAL**

By: 

Warren Bates, Jr. (#39796)

Ryan M. Seidemann, Ph.D. (#28991)

Louisiana Department of Justice

Assistant Attorneys General

Civil Division, Lands & Natural Resources

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*Counsel for State of Louisiana, through the
State Energy and Mineral Board*

PLEASE SERVE:

CHESAPEAKE LOUISIANA, L.P.

Through its registered agent for service of process:

C T Corporation System

3867 Plaza Tower Dr.

Baton Rouge, LA 70816