STATE OF OKLAHOMA
CADDO CO.
FILED
MAY - 1 2012
At ______ O'Clock ______M.
OPAL CAROL FINCH, Court Clerk
By [signature] Deputy

IN THE DISTRICT COURT OF CADDO COUNTY
STATE OF OKLAHOMA

STANLEY RAY BORN, AND RONDA JEAN BORN,	)	
Plaintiffs,	)	
vs.	)	Case No.: CJ-2012-47
SHERIDAN PRODUCTION COMPANY, LLC,	)	
Defendant.	)	

PETITION

COME NOW Plaintiffs, Stanley Ray Born and Ronda Jean Born, and for their cause of action against Defendant Sheridan Production Company, LLC ("Sheridan"), state and allege as follows:

VENUE AND JURISDICTION ALLEGATIONS

1. Stanley Ray Born and Ronda Jean Born ("the Borns") are citizens and residents of the State of Texas.

2. Sheridan is a foreign company, with its principal place of business in Houston, Texas.

3. Pursuant to 12 Okla. Stat. §137, venue and jurisdiction are proper in the District Court of Caddo County, State of Oklahoma.

BACKGROUND FACTS AND CLAIMS

4. Sheridan used its position as operator and as an oil and gas working interest owner to make fraudulent, deceptive, hidden and undisclosed deductions and reductions of royalty to the Borns on production of gas and its constituents from the Sheridan wells in which the Borns have an interest, the Shadden D #1 and the Woodbury #1 wells ("the Wells"). Sheridan accomplished

its underpayment of royalty by various improper deductions and reductions from royalty payments including, but not limited to, the following: (1) deducting direct and indirect fees for marketing, gathering, compressing, dehydrating, processing, treating and other similar services; (2) not paying royalty on wellhead gas that was used off the leased premises or in the manufacture of products; and (3) not paying royalty on condensate that dropped out of the gas stream (hereinafter referred to as "Fees"). The Fees were incurred to transform raw wellhead gas into marketable condition for sale.

5. The relationship between the Borns and Sheridan is such that the Borns have reasonably placed trust and confidence in Sheridan to properly pay royalty.

6. Sheridan has superior access to the information relating to the claims herein.

7. Sheridan has a fiduciary or quasi-fiduciary relationship with the Borns when Sheridan acts as operator of a drilling and spacing unit created by orders of the Oklahoma Corporation Commission.

8. As a fiduciary or quasi-fiduciary, Sheridan is: (1) held accountable to the Borns; (2) held to a high degree of good faith in its dealings; and (3) not permitted to make or use its position to realize unauthorized benefits for its own personal interests at the expense of the Borns. Sheridan has never repudiated its fiduciary or quasi-fiduciary duty, and the Borns have never had reason to know that Sheridan was not abiding by its duty.

9. Sheridan has used its position as an operator and as an oil and gas working interest owner to wrongfully deduct Fees from royalty payments due the Borns on the Wells.

10. The Fees were for services incurred to place the raw wellhead gas produced from the Wells into marketable condition, and/or the Fees did not enhance the value of an already-

marketable product and/or the Fees were not reasonable and did not increase the royalties due the Borns in proportion to the Fees.

11. The Fees were deducted from the gross value of the gas and its constituents prior to production proceeds being paid to the Borns, and the Fees and other royalty underpayments were fraudulently concealed from the Borns by falsely reporting the gross value and price of the gas sold on the royalty check counter-foils and by using those counter-foils to deceive the Borns into believing that all royalties had been properly paid and that Sheridan was properly accounting to the Borns for royalty owed.

12. In violation of the implied covenant to market contained in the oil and gas lease, and in violation of its duties, Sheridan has failed to make diligent efforts to secure the best terms available for the sale of its gas and its constituents from the Wells, and the Borns have received reduced production proceeds from the Wells as a result.

13. Sheridan has maintained an open account with the Borns, which further led the Borns to believe that Sheridan had made or would make proper payment of royalty in compliance with its obligations.

14. Sheridan and other working interest owners (on behalf of whom Sheridan marketed gas and paid royalty) conspired to deprive the Borns of production proceeds by underpaying royalty and deceptively concealing such royalty underpayment by falsely reporting information on check counter-foils. Specifically, Sheridan, as operator, markets gas for other working interest owners and pays royalty for them with no input from the non-operators and without disclosure to the Borns. These sales are known as Joint Operating Agreement ("JOA") sales. When Sheridan pays royalty on JOA sales, Sheridan applies its own in-house rules to determine what royalty is due without looking at the language of any specific lease(s). Sheridan does not disclose to the Borns

that it has marketed gas and then calculated and paid royalty on JOA sales. As such, Sheridan is liable on JOA sales as an undisclosed agent for and co-conspirator with the other working interest owners.

15. Sheridan is fully aware of the duties and obligations incumbent upon it, and Sheridan is fully aware that it is in breach of these duties and obligations. Nevertheless, Sheridan has taken no action to cure these violations of the law and lease.

16. In addition to being a breach of its contractual obligations, Sheridan's acts constitute independent torts, resulting in tortious injury and accompanying damages to the Borns.

17. The tortious breach of contract, fraud, deceit and other torts described herein served to financially benefit Sheridan through reduction of royalty paid to the Borns on production marketed by Sheridan from the Wells.

18. Sheridan has been unjustly enriched as a result of its improper actions. Sheridan should not be allowed to retain any portion of its ill-gotten gains or profits on those ill-gotten gains. Sheridan should be required to disgorge (and pay as additional damages) all such gains and profits on such gains to the Borns.

19. Sheridan's conduct was undertaken intentionally, maliciously and with utter disregard for the rights of the Borns and others. Sheridan should be required to pay punitive damages as punishment for its wrongdoing and as an example to deter others who might act in a similar manner, including punitive damages which would strip Sheridan of the increased financial benefit that it derived as a result of the conduct causing injury to the Borns and other persons.

20. The Borns claim damages in excess of the jurisdictional amount under 28 U.S.C. §1332, although no diversity exists in this case that would permit removal to federal court.

21. Sheridan fraudulently concealed its actions and is barred by the doctrines of equitable estoppel and tolling, and the discovery rule from denying liability to the Borns.

WHEREFORE, the Borns pray for judgment against Sheridan for (a) an accounting, (b) actual damages, (c) punitive damages, (d) interest, (e) attorney fees, (f) expert and litigation costs, (g) court costs, and (h) all other relief the Court deems just and proper.

JURY TRIAL DEMANDED
ATTORNEY LIEN CLAIMED

Respectfully submitted,

Kerry W. Caywood, OBA No. 1580
Angela Caywood Jones, OBA No. 18742
Park, Nelson, Caywood, Jones
P. O. Box 968
Chickasha, OK 73023
(405) 224-0386 telephone
(405) 224-0907 facsimile
kcaywood@pncj.com

-and-

Allan DeVore, OBA No. 2328
Jandra Jorgenson, OBA No. 16610
DeVore & Jorgenson, PLC
5709 N.W. 132nd Street
Oklahoma City, Oklahoma 73142
(405) 603-8585 telephone
(877) 636-8113 facsimile
d-j@devorejorgenson.com

ATTORNEYS FOR PLAINTIFFS