

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF OKLAHOMA**

KYLE ALAN TAYLOR, et al.	)	
Plaintiffs,	)	
v.	)	Case No. CIV-18-29-PRW
SHERIDAN PRODUCTION COMPANY, LLC, et al.	)	
Defendants.	)	

**ANSWER TO FIRST AMENDED COMPLAINT  
BY DEFENDANT SHERIDAN HOLDING COMPANY I, LLC.**

Defendant, Sheridan Holding Company I, LLC (“Holdco I”), for its Answer to the First Amended Complaint filed by Plaintiffs Kyle Alan Taylor and Tony Ray Whisenant (collectively “Plaintiffs”) denies all material allegations therein to the extent they are not expressly admitted herein. For further answer, Holdco I states as follows:

1. Holdco I denies the allegations in Paragraph 1 of Plaintiffs’ First Amended Complaint.
2. Regarding the allegations in Paragraph 2 of Plaintiffs’ First Amended Complaint, Holdco I admits that Plaintiffs are royalty owners in wells owned in part by Defendants Sheridan Production Partners I-M, L.P. and Sheridan Production Partners I-A, L.P. Holdco I further admits that Defendants Sheridan Production Partners I-A, L.P. and Sheridan Production Partners I-M, L.P. own beneficial interests in oil and gas leases in Oklahoma and Holdco I holds legal title to said leases. Holdco I admits that Sheridan Production Company, LLC operates wells in Oklahoma. Holdco I further admits that Sheridan Production Company, LLC distributes royalty to certain royalty owners in the

wells it operates. Holdco I denies the remaining allegations in Paragraph 2 of Plaintiffs' First Amended Complaint.

3. Regarding the allegations in Paragraph 3 of Plaintiffs' First Amended Complaint, Holdco I admits that this court has jurisdiction pursuant to 28 U.S.C. § 1332 as amended by the Class Action Fairness Act of 2005. Holdco I is without sufficient knowledge or information to admit or deny the remaining allegations in Paragraph 3 of Plaintiffs' First Amended Complaint.

4. Regarding the allegations in Paragraph 4 of Plaintiffs' First Amended Complaint, Holdco I admits that venue is proper in this Court. Holdco I denies any wrongdoing and further denies that Plaintiffs or putative class members are entitled to any damages. Holdco I denies the remaining allegations in Paragraph 4 of Plaintiffs' First Amended Complaint.

5. Regarding the allegations in Paragraph 5 of Plaintiffs' First Amended Complaint, Holdco I is without sufficient knowledge or information to admit or deny Plaintiffs' mineral ownership. Holdco I admits that Sheridan Production Company, LLC operates wells in Beaver County, Oklahoma. Holdco I further admits that Sheridan Production Partners I-M, L.P. and Sheridan Production Partners I-A, L.P. own beneficial interests in oil and gas leases in Beaver County, Oklahoma, and that Holdco I holds legal title to said leases. Holdco I admits that Sheridan Production Company, LLC has distributed royalty to Plaintiffs. Holdco I denies the remaining allegations in Paragraph 5 of Plaintiffs' First Amended Complaint.

6. Regarding the allegations in Paragraph 6 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Company, LLC is a limited liability company organized under the laws of the State of Delaware and that it is registered with the Oklahoma Secretary of State as a foreign limited liability company doing business in Oklahoma. Holdco I admits that Sheridan Production Company LLC's principal place of business is in Houston, Texas.

7. Regarding the allegations in Paragraph 7 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Partners I-M, L.P. is a limited partnership organized under the laws of the State of Delaware, and that its principal place of business is in Houston, Texas.

8. Regarding the allegations in Paragraph 8 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Partners, I-A, L.P. is a limited partnership organized under the laws of the State of Delaware, and that its principal place of business is in Houston, Texas.

9. Regarding the allegations in Paragraph 9 of Plaintiffs' First Amended Complaint, Holdco I admits that it is a limited liability company organized under the laws of the State of Delaware, and that its principal place of business is in Houston, Texas.

10. Regarding the allegations in Paragraph 10 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Company, LLC operates certain oil and gas wells in the State of Oklahoma and that such operations include certain production and/or marketing activities. Holdco I denies the remaining allegations in Paragraph 10 of Plaintiffs' First Amended Complaint.

11. Regarding the allegations in Paragraph 11 of Plaintiffs' First Amended Complaint, Holdco I denies that Plaintiff suffered any monetary loss or damages as alleged in Paragraph 11 of Plaintiffs' First Amended Complaint. Holdco I is without sufficient knowledge or information to admit or deny the remaining allegations in Paragraph 11 of Plaintiffs' First Amended Complaint.

12. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 12 of Plaintiffs' First Amended Complaint.

13. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 13 of Plaintiffs' First Amended Complaint.

14. Holdco I denies the allegations in Paragraph 14 of Plaintiffs' First Amended Complaint.

15. Regarding the allegations in Paragraph 15 of Plaintiffs' First Amended Complaint, Holdco I denies that this action can properly proceed as a class action and further denies that Plaintiffs' proposed class definition is viable and ascertainable. Holdco I denies the remaining allegations in Paragraph 15 of Plaintiffs' First Amended Complaint.

16. Regarding the allegations in Paragraph 16 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Company, LLC operates wells in Oklahoma. Holdco I is without sufficient information to admit or deny the remaining allegations in Paragraph 16 of Plaintiffs' First Amended Complaint.

17. Holdco I denies the allegations in Paragraph 17 of Plaintiffs' First Amended Complaint.

18. Holdco I denies the allegations in Paragraph 18 of Plaintiffs' First Amended Complaint.

19. Holdco I denies the allegations in Paragraph 19 of Plaintiffs' First Amended Complaint.

20. Holdco I denies the allegations in Paragraph 20 of Plaintiffs' First Amended Complaint.

21. Holdco I denies the allegations in Paragraph 21 of Plaintiffs' First Amended Complaint.

22. Regarding the allegations in Paragraph 22 of Plaintiffs' First Amended Complaint, Holdco I denies that this action can properly proceed as a class action. Holdco I denies the remaining allegations in Paragraph 22 of Plaintiffs' First Amended Complaint.

23. Regarding the allegations in Paragraph 23 of Plaintiffs' First Amended Complaint, Holdco I is without sufficient knowledge or information to admit or deny Plaintiffs' mineral ownership. Holdco I denies the remaining allegations in Paragraph 23 of Plaintiffs' First Amended Complaint.

24. The allegations in Paragraph 24 of Plaintiffs' First Amended Complaint constitute a statement of law as to which no response is required. To the extent a response may be required, Holdco I denies the allegations in Paragraph 24 of Plaintiffs' First Amended Complaint.

25. The allegations in Paragraph 25 of Plaintiffs' First Amended Complaint constitute a statement of law as to which no response is required. To the extent a

response may be required, Holdco I denies the allegations in Paragraph 25 of Plaintiffs' First Amended Complaint.

26. Regarding the allegations in Paragraph 26 of Plaintiffs' First Amended Complaint, Holdco I admits that an oil and gas lease gives the lessee the right to extract the minerals from the lessor's land. Holdco I denies the remaining allegations in Paragraph 26 of Plaintiffs' First Amended Complaint.

27. Holdco I denies the allegations in Paragraph 27 of Plaintiffs' First Amended Complaint.

28. Holdco I denies the allegations in Paragraph 28 of Plaintiffs' First Amended Complaint.

29. Regarding the allegations in Paragraph 29 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 29 of Plaintiffs' First Amended Complaint.

30. Regarding the allegations in Paragraph 30 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 30 of Plaintiffs' First Amended Complaint.

31. Regarding the allegations in Paragraph 31 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all

situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 31 of Plaintiffs' First Amended Complaint.

32. Regarding the allegations in Paragraph 32 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 32 of Plaintiffs' First Amended Complaint.

33. Regarding the allegations in Paragraph 33 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 33 of Plaintiffs' First Amended Complaint.

34. Regarding the allegations in Paragraph 34 of Plaintiffs' First Amended Complaint, the purported factual scenario described is over-generalized, does not fit all situations, may not reflect facts that are applicable to all putative class members, and may not accurately describe Plaintiffs' situation. To the extent a response is required, Holdco I denies the allegations in Paragraph 34 of Plaintiffs' First Amended Complaint.

35. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 35 of Plaintiffs' First Amended Complaint.

36. Regarding the allegations in Paragraph 36 of Plaintiffs' First Amended Complaint, Holdco I admits that helium is an element and is an inert gas. Holdco I denies the remaining allegations in Paragraph 36 of Plaintiffs' First Amended Complaint.

37. Holdco I denies the allegations in Paragraph 37 of Plaintiffs' First Amended Complaint.

38. Holdco I denies the allegations in Paragraph 38 of Plaintiffs' First Amended Complaint.

39. Holdco I denies the allegations in Paragraph 39 of Plaintiffs' First Amended Complaint.

40. Holdco I denies the allegations in Paragraph 40 of Plaintiffs' First Amended Complaint.

41. Holdco I denies the allegations in Paragraph 41 of Plaintiffs' First Amended Complaint.

42. Holdco I denies the allegations in Paragraph 42 of Plaintiffs' First Amended Complaint.

43. Regarding the allegations in Paragraph 43 of Plaintiffs' First Amended Complaint, Holdco I admits that Sheridan Production Company, LLC's check stubs issued to royalty owners in Oklahoma show the categories of information required by Oklahoma statutes, namely 52 O.S. § 570.12. Holdco I denies the remaining allegations in Paragraph 43 of Plaintiffs' First Amended Complaint.

44. Holdco I denies the allegations in Paragraph 44 of Plaintiffs' First Amended Complaint.



45. Holdco I denies the allegations in Paragraph 45 of Plaintiffs' First Amended Complaint.

46. Holdco I denies the allegations in Paragraph 46 of Plaintiffs' First Amended Complaint.

47. Holdco I denies the allegations in Paragraph 47 of Plaintiffs' First Amended Complaint.

48. Regarding the allegations in Paragraph 48 of Plaintiffs' First Amended Complaint, Holdco I incorporates by reference its responses to Paragraphs 1-47 and 54-60 of Plaintiffs' First Amended Complaint.

49. Holdco I denies the allegations in Paragraph 49 of Plaintiffs' First Amended Complaint.

50. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 50 of Plaintiffs' First Amended Complaint.

51. Holdco I denies the allegations in Paragraph 51 of Plaintiffs' First Amended Complaint.

52. Holdco I denies the allegations in Paragraph 52 of Plaintiffs' First Amended Complaint.

53. Regarding the allegations in Paragraph 53 of Plaintiffs' First Amended Complaint, Holdco I incorporates by reference its responses to Paragraphs 1-52 of Plaintiffs' First Amended Complaint.

54. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 54 of Plaintiffs' First Amended Complaint.

55. Holdco I denies the allegations in Paragraph 55 of Plaintiffs' First Amended Complaint.

56. Holdco I is without sufficient knowledge or information to admit or deny the allegations in Paragraph 56 of Plaintiffs' First Amended Complaint.

57. Holdco I denies the allegations in Paragraph 57 of Plaintiffs' First Amended Complaint.

58. Holdco I denies the allegations in Paragraph 58 of Plaintiffs' First Amended Complaint.

59. Regarding the allegations in Paragraph 59 of Plaintiffs' First Amended Complaint, Holdco I affirmatively states that Oklahoma's Production Revenue Standards Act provides the exclusive remedy for underpayment of royalty, and that punitive damages are not recoverable in this case. Holdco I denies the allegations in Paragraph 59 of Plaintiffs' First Amended Complaint.

60. Regarding the allegations in Paragraph 60 of Plaintiffs' First Amended Complaint, Holdco I affirmatively states that the Production Revenue Standards Act provides the exclusive remedy for underpayment of royalty, and that the damages asserted in Paragraph 60 of Plaintiffs' First Amended Complaint are not recoverable in this case. Holdco I denies the allegations in Paragraph 60 of Plaintiffs' First Amended Complaint.

Holdco I denies that Plaintiffs are entitled to any form of relief, as requested by Plaintiffs.

**AFFIRMATIVE DEFENSES**

1. The First Amended Complaint fails to state a claim upon which relief can be granted.
2. Plaintiffs' claims are barred in whole or in part by pending and/or prior litigation involving the same or similar claims.
3. Plaintiffs' claims are barred under the doctrines of issue and claim preclusion or collateral attack.
4. None of the named Plaintiffs' royalty checks suffered an impermissible deduction. Therefore, the named Plaintiffs are not adequate class representatives.
5. Plaintiffs' claims are barred, in whole or in part, by the doctrines of payment, settlement, release, or accord and satisfaction.
6. Plaintiffs' claims are barred, in whole or in part, by applicable statutes of limitations, contractual limitations periods, laches, passage of time or other inaction on the part of Plaintiffs.
7. Plaintiffs' claims are barred, in whole or in part, by the equitable doctrines of laches, waiver, estoppel, consent, ratification and acquiescence.
8. Sheridan Production Company, LLC prudently operated the wells which are the apparent subject of Plaintiffs' claims.
9. Holdco I fulfilled any and all duties owed to Plaintiffs, both legal and equitable.
10. Plaintiffs' purported tort claim is based upon an alleged breach of fiduciary duty which is not supported by Oklahoma law.

11. Holdco I acted in good faith and in substantial compliance with all applicable state and federal laws, rules and regulations.

12. Plaintiffs' claims are barred in whole or in part by the Oklahoma Energy Litigation Reform Act.

13. Plaintiffs are not entitled to recover interest.

14. To the extent Plaintiff seeks recovery of interest under 52 Okla. Stat. § 570.10 (formerly 52 Okla. Stat. § 540) based on any alleged breach of a lease contract formed or executed prior to the effective date of such statute, application thereof would be unconstitutional and otherwise impermissibly impair Holdco I's then-existing contractual rights.

15. Plaintiffs' First Amended Complaint fails to state a claim for breach of fiduciary duty.

16. Plaintiffs have been paid all amounts due and owing in accordance with the controlling legal documents, including oil and gas leases, division orders and other instruments.

17. Plaintiffs' claims are barred by the express terms of the applicable written leases, agreements, transfer orders, unit agreements, communitization agreements and/or division orders, if any.

18. If this case is allowed to proceed as a class action, Holdco I will be deprived of its rights under the respective due process clauses of the United States and Oklahoma Constitutions.

19. Plaintiffs' claims are barred by the doctrines of course of dealing and/or trade custom or usage of trade.

20. The statutes upon which Plaintiffs base their claims relating to information to be shown on monthly production check stubs/remittances are unconstitutionally vague and ambiguous.

21. To the extent a new and different duty is found to apply to Holdco I's alleged conduct, each new and different duty can only be applied prospectively, not retroactively.

22. Plaintiffs' claims are barred, in whole or in part, by Plaintiffs' own negligence, including, without limitation, their comparative or contributory negligence.

23. Plaintiffs' claims against Holdco I are barred, in whole or in part, because of their own actions, including, without limitation, Plaintiffs' failure to take reasonable, prudent or necessary actions to mitigate their alleged damages, if any.

24. Plaintiffs' claims against Holdco I arise under Oklahoma's Production Revenue Standards Act, which provides the exclusive remedy for underpayment of royalty in this case.

25. The punitive damages sought by Plaintiffs are limited by constitutional due process, which requires that a person receive fair notice not only of the conduct that will subject him to punishment but also of the severity of the penalty that can be imposed.

26. The imposition of punitive damages or statutory penalties against Holdco I in this case would violate Holdco I's rights under the Oklahoma and United States Constitutions, including the rights to procedural due process under the Fourteenth

Amendment to the United States Constitution and the due process provisions of the Oklahoma Constitution, because:

- (a) Holdco I is without effective and adequate procedural protections against arbitrary or erroneous awards of such damages;
- (b) Holdco I is being denied the requirement of adequate notice of the type of conduct or elements of the offense that could warrant such an award or the amount of such damages that could be awarded;
- (c) such an award does not bear a close relationship to appropriate civil fines or penalties established by the Oklahoma legislature, or by administrative agencies under authority delegated by the legislature;
- (d) such an award would impermissibly discriminate against corporate defendants, including Holdco I, that are organized under the laws of other states and that maintain their principal places of business in other states;
- (e) evidence of Holdco I's net worth would invite the jury to award an arbitrary amount of punitive damages based on Holdco I's status as an industrial enterprise; and,
- (f) The purpose of punitive or exemplary damages is to punish the defendant and/or to deter the defendant's allegedly wrongful conduct. In this case, however, Holdco I's conduct that is alleged to warrant punitive or exemplary damages is unrelated to Plaintiffs' harm and, therefore, punitive damages are unwarranted and unlawful.

27. The imposition of punitive damages or statutory penalties against Holdco I in this case would violate Holdco I's rights under the Eighth Amendment to the United States Constitution and the excessive fines and punishment provisions of the Oklahoma Constitution.

28. Holdco I affirmatively pleads that Plaintiffs' claim for punitive damages is barred by the Due Process Clause and the Commerce Clause of the United States Constitution and by principles of federalism embodied in the United States Constitution, to the extent that any claim is based on conduct by Holdco I that occurred outside the State of Oklahoma.

29. The imposition of punitive damages or statutory penalties against Holdco I in this case would violate Holdco I's equal protection rights under the Oklahoma and United States Constitutions.

30. Plaintiffs' claim for punitive damages is barred by the Due Process Clauses of the United States Constitution (Amendment V and Amendment XIV, § 1) and by the Due Process Clause of the Oklahoma Constitution because the law of this State governing punitive damages does not require that the jury be instructed upon, and make specific findings of fact with respect to each of the five reprehensibility factors set out in *State Farm Mutual Automobile Insurance Co. v. Campbell*, 538 U.S. 408, 419, 123 S. Ct. 1513, 1521 (2003). Such specific jury instructions and specific findings of fact are necessary for purposes of Due Process in order to permit the de novo review of the quantum of any award of punitive damages required by *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436, 121 S. Ct. 1678, 1685-1686 (2001).

31. Plaintiffs' claim for punitive damages is barred by the Due Process Clauses of the United States Constitution (Amendment V and Amendment XIV, § 1) and by the Due Process Clause of the Oklahoma Constitution because the law of this State governing punitive damages does not require that the jury be instructed upon, and make specific findings of fact with respect to, the constitutional factors that govern the permissible ratio of punitive damages to compensatory damages. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 425, 123 S. Ct. 1513, 1524 (2003) (holding that "few awards exceeding a single-digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process"). Such specific jury instructions and specific findings of fact are necessary for purposes of Due Process in order to permit the de novo review of the quantum of any award of punitive damages required by *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436, 121 S. Ct. 1678, 1685-1686 (2001).

32. Plaintiffs' claim for punitive damages is barred by the Due Process Clauses of the United States Constitution (Amendment V and Amendment XIV, § 1) and by the Due Process Clause of the Oklahoma Constitution because the law of this State governing punitive damages does not require that the jury be instructed upon, and make specific findings of fact with respect to, the comparable civil fine that could be imposed on Sheridan for the conduct in question. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 428 123 S. Ct. 1513, 1531 (2003) (holding that civil fines are more appropriate benchmarks for punitive damages than criminal penalties); *BMW of N Am., Inc. v. Gore*, 517 U.S. 559, 583, 116 S. Ct. 1589, 1603 (1996) (holding that courts "should accord substantial deference to legislative judgments concerning appropriate sanctions for the



conduct at issue.”); (O’Connor, J., concurring in part and dissenting in part) (*quoting Browning-Ferris Industries of Vt., Inc. v. Kelso Disposal, Inc.*, 492 U.S. 257, 301, 109 S. Ct. 2909, 2934 (1989)); *Clark v. Chrysler Corp.*, 436 F. 3d 594, 607 (6th Cir. 2006) (rejecting potential for punitive damages award as a basis for comparison in favor of potential civil penalties under applicable federal statute). Such specific jury instructions and specific findings of fact on the comparable civil penalties are necessary for purposes of Due Process in order to permit the de novo review of the quantum of any award of punitive damages required by *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436, 121 S. Ct. 1678, 1685-1686 (2001).

33. Plaintiffs’ claim for punitive damages is barred by the Due Process Clauses of the United States Constitution (Amendment V and Amendment XIV, § 1) and by the Due Process Clause of the Oklahoma Constitution because the law of this State governing punitive damages does not require that the jury be instructed upon, and make specific findings of fact with respect to, the direct relationship between Holdco I’s conduct and the specific injury suffered by Plaintiffs or any putative class member. *Phillip Morris USA v. Williams*, 549 U.S. 346, 355, 127 S. Ct. 1057, 1064 (2007) (holding that “the Due Process Clause requires States to provide assurance that juries are not asking the wrong question, i.e., seeking, not simply to determine reprehensibility, but also to punish for harm caused strangers”); *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 423, 123 S. Ct. 1513, 1523 (2003) (holding that “[D]ue process does not permit courts, in the calculation of punitive damages, to adjudicate the merits of other parties’ hypothetical claims against a defendant under guise of the reprehensibility

analysis.”). Such specific jury instructions and specific findings of fact are necessary for purposes of Due Process in order to permit the de novo review of the quantum of any award of punitive damages required by *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 436, 121 S. Ct. 1678, 1685-1686 (2001), to ensure that the award is based solely on the conduct that caused specific injury to the Plaintiffs and purported Class Members.

34. Plaintiffs’ claim for punitive damages is barred by the Due Process Clauses of the United States Constitution (Amendment V and Amendment XIV, § 1) and by the Due Process Clause of the Oklahoma Constitution because the law of this State governing punitive damages does not require that the jury be instructed upon, and make specific findings of fact with respect to, the exclusion of all items of compensatory damage from the quantum of punitive damages. *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 426, 123 S. Ct. 1513, 1525 (2003) (noting that “[t]he compensatory damages for the injury suffered here . . . likely were based on a component that was duplicated in the punitive award”). Such specific jury instructions and specific findings of fact are necessary for purposes of Due Process in order to permit the de novo review required by *Cooper Indus. Inc. v. Leatherman Tool Group, Inc.*, 532 U.S. 424 (2001), to ensure that items of compensatory damages are not impermissibly ‘double-counted’ in the quantum of punitive damages.

35. If Plaintiffs recover anything from Holdco I, Holdco I is entitled to set-off and to deduct certain severance taxes from Plaintiffs’ recovery that may have been paid

on the sums sought to be recovered and/or which may be owing, depending upon the nature of the recovery sought and/or awarded by the Court.

36. The term “marketable,” as used by the Oklahoma Supreme Court with respect to royalty payment issues, is vague and ambiguous.

37. To the extent that any royalty interest held by any member of the putative class in any mineral or leasehold interests at issue in this action arises from an unleased, force-pooled interest, that member of the putative class has no claim against Holdco I arising from any deduction of post-production charges, including the costs of transportation, treatment and onsite compression after production to the surface.

38. The claims set forth in Plaintiffs’ First Amended Complaint are not proper for treatment as a class action because: the putative class is not ascertainable, Plaintiffs’ claims are not typical of the absent class members; individualized issues of fact and law predominate over any common issues; a class action is not superior to other methods of adjudication of Plaintiffs’ claims; and Plaintiffs lack the capacity to sue as a representative of the purported class.

39. Plaintiffs’ proposed class fails to satisfy the requirements of Fed. R. Civ. P. 23.

40. Plaintiffs are precluded from asserting their claims alleging a breach of implied covenant because Plaintiffs failed to provide Holdco I with the required prior notice and demand alleging such breach prior to instituting this action.

41. Plaintiffs’ tort claim fails for a lack of reliance.

42. If any costs were deducted from Plaintiffs or one or more putative class members' royalty checks, such deductions were proper under *Mittelstaedt v. Santa Fe Minerals, Inc.*, 1998 OK 7, 954 P.2d 1203.

Because Holdco I is currently without knowledge or information sufficient to form a belief as to whether it might have additional affirmative defenses to Plaintiffs' claims, individually and to the claims of the putative class or classes that Plaintiffs may seek to certify in this case, Holdco I reserves the right to assert any other affirmative defenses after further discovery or as otherwise permitted by the Court.

**PRAYER**

Holdco I prays that the relief requested in Plaintiffs' First Amended Complaint be denied in all respects; that Holdco I be awarded its allowable costs of this action, including attorneys' fees; and that the Court grant Holdco I such other and further relief as may be just and equitable.

/s/ John J. Griffin, Jr.

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**ATTORNEYS FOR DEFENDANT,  
SHERIDAN HOLDING COMPANY I,  
LLC**

**CERTIFICATE OF SERVICE**

I hereby certify that on the 19th day of December, 2019, I electronically transmitted the attached document to the Clerk of the Court using the ECF System for filing. Based on the records currently on file, the Clerk of Court will transmit a Notice of Electronic Filing to the following ECF registrants:

Rex A Sharp  
Barbara C Frankland  
Ryan C Hudson  
Rex A Sharp PA  
5301 W 75th St  
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**ATTORNEYS FOR PLAINTIFF**

/s/ John J. Griffin, Jr. \_\_\_\_\_