

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

In re:

SHERIDAN HOLDING COMPANY I, LLC, et al.,<sup>1</sup>

Reorganized Debtors.

Chapter 11

Case No. 20-31884 (DRJ)

(Jointly Administered)

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION**

***A Federal Court authorized this notice. This is not a solicitation from a lawyer.***

**PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE EXPLAINS IMPORTANT RIGHTS YOU MAY HAVE, INCLUDING THE POSSIBLE RELEASE OF CERTAIN CLAIMS. IF YOU DO NOT OPT-OUT OF THE SETTLEMENT CLASS, YOUR LEGAL RIGHTS WILL BE AFFECTED. IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, THE PROPOSED SETTLEMENT AGREEMENT, OR YOUR PARTICIPATION IN THE PROPOSED SETTLEMENT, PLEASE DO NOT CONTACT THE COURT, THE DEFENDANTS, OR THEIR COUNSEL. ALL QUESTIONS SHOULD BE DIRECTED TO SETTLEMENT CLASS COUNSEL OR THE SETTLEMENT ADMINISTRATOR. A HEARING TO DETERMINE THE FAIRNESS OF THE SETTLEMENT AGREEMENT AND TO FINALLY APPROVE THE SETTLEMENT AGREEMENT WILL BE HELD ON JULY 13, 2020 AT 10:00 A.M., PREVAILING CENTRAL TIME, BEFORE THE HONORABLE DAVID R. JONES, AT 515 RUSK STREET, COURTROOM 400, HOUSTON, TEXAS 77002.**

**THIS IS AN OFFICIAL NOTICE SENT TO YOU UNDER COURT ORDER FROM THE HONORABLE DAVID R. JONES, CHIEF JUDGE OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, TO THE SETTLEMENT CLASS, DEFINED AS:**

All royalty owners who received or who were entitled to receive royalty payments from Sheridan Production Company, LLC (“SPC”) attributable to production from Oklahoma wells that are or have been operated (or marketed and directly paid to royalty owners) by SPC and produced gas (such as residue gas, natural gas liquids, or helium) prior to March 23, 2020 (the “Petition Date”).

Excluded from the Settlement Class are: (1) the Office of Natural Resources Revenue f/k/a the Mineral Management Service (Indian tribes and the United States); (2) Defendants and their employees, officers, and directors; and (3) any NYSE or NASDAQ listed company (and its subsidiaries) engaged in oil and gas exploration, production, gathering, processing, or marketing.

More information can be found on the website established for communications about this settlement: [www.taylorsheridanfund1settlement.com](http://www.taylorsheridanfund1settlement.com). The website includes a list of Class

<sup>1</sup> The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized Debtor’s federal tax identification number, include: Sheridan Holding Company I, LLC (7648); Sheridan Investment Partners I, LLC (8607); Sheridan Production Partners I, LLC (8094); Sheridan Production Partners I-A, L.P. (8100); Sheridan Production Partners I-B, L.P. (8104); Sheridan Production Partners I-M, L.P. (8106); and SPP I-B GP, LLC (8092). The location of the Reorganized Debtors’ service address is: 1360 Post Oak Blvd., Suite 2500, Houston, Texas 77056.

QUESTIONS? CALL 1-888-670-0458 OR VISIT [www.taylorsheridanfund1settlement.com](http://www.taylorsheridanfund1settlement.com)

Wells that are affected by, and subject to, this Settlement as well as the entire Settlement Agreement with its exhibits (the “Settlement Agreement”).<sup>2</sup>

The United States Bankruptcy Court for the Southern District of Texas, Houston Division (the “Court”) authorized this notice (this “Notice”). This is not a solicitation from a lawyer. The purpose of this Notice is to advise you that:

- (a) The Court has preliminarily approved the Settlement and has certified a Settlement Class for settlement purposes only as defined above.
- (b) The Class Representatives, Class Counsel, and Defendants have entered into a Settlement Agreement that shall become effective if a court order approving the Settlement becomes final and not subject to appeal. The Settlement Agreement provides that Defendants shall pay the Settlement Class \$5,094,000.00 (the “Settlement Proceeds”), subject to the conditions and qualifications set forth in the Settlement Agreement, including the provisions decreasing such amount for the return to Defendants of any Monies Payable to Opt-Outs. The Settlement Proceeds is a gross amount before deduction of court approved Class Fees and Expenses and Administration Expenses.
- (c) The Court will conduct a hearing to determine whether to finally approve the Settlement, among other things (the “Settlement Fairness Hearing”).

**TO OBTAIN THE BENEFITS OF THIS PROPOSED SETTLEMENT, YOU DO NOT  
HAVE TO DO ANYTHING.**

**I. SUMMARY OF THE CLASS ACTION LITIGATION**

This Class Lawsuit was originally filed as two separate cases and consolidated into Case No. CIV-18-29, *Kyle Alan Taylor and Tony Ray Whisenant v. Sheridan Production Company, LLC et al*, on file in the United States District Court for the Western District of Oklahoma. In addition to the Class Lawsuit, an individual suit was filed in state court, *Born, et al. v. Sheridan Production Company, L.L.C.*, No. CJ-2012-47, Caddo County, Oklahoma. Plaintiffs, on behalf of themselves and, as Class Representatives, on behalf of all similarly situated royalty owners, asserted in both the Class Lawsuit and *Born* that Defendants breached express terms and implied duties in the leases and breached their fiduciary duty by deducting costs incurred after the gathering line inlet from royalty. The Released Claims (as defined in ¶ 1.24 of the Settlement Agreement) include all claims that were or could have been asserted in the Class Lawsuit and *Born* relating to royalties on gas and gas constituents in connection with the Class Lawsuit and *Born*.

Defendants have adamantly denied, and continue to deny, the claims asserted in the Class Lawsuit and *Born* and have vigorously defended against them.

On the Petition Date, Defendants filed voluntary petitions under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division. With the commencement of the Bankruptcy Proceeding, the Parties jointly moved for preliminary approval of the Settlement and approval of this Notice to be provided to potential members of the Settlement Class. If the Settlement is not approved or is terminated, the Parties shall be returned to the status quo that existed immediately prior to the date of execution of the Settlement Agreement. If the Court finally approves the Settlement, the Class Lawsuit and *Born* will be dismissed with prejudice.

By giving this Notice, the Court is not expressing any opinion regarding the merits of either the Class Representatives’ claims or Defendants’ defenses. Nothing contained in this Notice should be construed as suggesting the Court’s view as to which side might prevail should this matter proceed to class certification and trial on the merits.

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<sup>2</sup> Capitalized terms not defined herein shall have the meanings set forth in the Settlement Agreement.

## **II. CLASS CERTIFICATION**

The Court has entered the Preliminary Approval Order. The Preliminary Approval Order is available at [www.taylorsheridanfund1settlement.com](http://www.taylorsheridanfund1settlement.com) or <http://cases.primeclerk.com/SheridanI>.

In the Order, for settlement purposes only, the Court approved the Settlement Class as described above and designated Kyle Alan Taylor, Tony Ray Whisenant, Stanley Ray Born and Ronda Jean Born as the Class Representatives of the Settlement Class and appointed the below named lawyers from four law firms as Settlement Class Counsel:

Rex. A. Sharp  
Sharp Law, LLP  
5301 W. 75<sup>th</sup> Street  
Prairie Village, KS 66208

Allan DeVore  
Jandra Cox  
DeVore Law Firm, PLC  
5709 NW 132<sup>nd</sup> St.  
Oklahoma City, OK 73142

Michael E. Grant  
Grant Law Firm, PLLC  
512 N.E. 12<sup>th</sup> Street  
Oklahoma City, OK 73103

Charles Rubio  
Diamond McCarthy, LLP  
295 Madison Avenue, 27<sup>th</sup> Floor  
New York, NY 10017

You may hire your own attorney if you wish; however, you will be responsible for your attorney's fees and expenses.

## **III. THE PROPOSED CLASS SETTLEMENT**

Following extensive settlement negotiations, the Class Representatives, on behalf of themselves and the Settlement Class, Settlement Class Counsel, and the Defendants have agreed to enter into the Settlement Agreement and grant the mutual releases of the Released Claims contained therein.

The basic terms of the Settlement Agreement between the Settlement Class and the Defendants are as follows:

1. Defendants will pay the sum of \$5,094,000.00 (subject to adjustments set forth in the Settlement Agreement) to the Settlement Class in full, complete, and final settlement of all Released Claims as to all Released Parties. Defendants shall not be liable to the Settlement Class, the Class Representatives, or Settlement Class Counsel for any other costs, expenses or fees.
2. The Released Parties include: (a) all Defendants, the Affiliates of Defendants, including those named on **Exhibit F** attached to the Settlement Agreement, and the Reorganized Debtors and shall also include the respective past, present and future Affiliates, employees, officers, directors, limited partners, general partners, shareholders, managers, members, attorneys, agents and/or other representatives of such entities; (b) the Settlement Class Members (including Class Representatives) and their attorneys; and (c) other working interest owners in Class Wells, who shall also constitute Released Parties, but only to the extent Defendants and/or the Affiliates of Defendants marketed gas or gas constituents and paid royalty on behalf of such other working interest owners prior to the Petition Date.
3. Defendants and the Class Representatives agree that the Settlement Proceeds, subject to adjustments for opt-outs and exclusions from the Settlement Class, shall be for the benefit of the Settlement Class, subject only to payment of court-approved Class Fees and Expenses and Administration Expenses.
4. Upon the Effective Date, all Settlement Class Members shall be deemed to have released all of the Released Parties, Settlement Class Counsel, and the Class Representatives from all claims arising

from or in connection with the negotiation, execution, solicitation, administration, determination, calculation, or payment of benefits or the investment or distribution of the Settlement Proceeds.

5. The Released Claims (as defined in ¶ 1.24 of the Settlement Agreement) include, all claims, demands, actions, causes of action, allegations, compulsory or permissive counterclaims, credits, off-sets, defenses, rights, obligations, costs, fees, losses, and damages of any and every kind or nature, known or unknown, whether in law or equity, in tort or contract, or arising under any statute or regulations, that are associated with the marketing, movement, treatment, processing, sale, trade, calculation, reporting, allocation, payment, and similar acts/activities relating in whole or in part to royalty on gas and its constituents produced from the Class Wells (including residue gas, natural gas liquids, fuel gas, casinghead gas, drip condensate, condensate, helium, nitrogen, and any other forms of hydrocarbon gas production or products therefrom) and on-lease and off-lease use of such gas during the Released Period.

The Released Claims specifically include, but are not limited to, those claims that arise from or in connection with acts or omissions of any of the Released Parties (including, but not limited to, all intentional or negligent misconduct), which were or could have been asserted, made, or described in the operative petition, complaint, or amended complaint, and the answers or counterclaims in the Class Lawsuit and in *Born*, or that could have been alleged as a compulsory or permissive counterclaim, credit, off-set or defense, and shall also include and release any alternative theories of recovery for the same claims, actions, or subject matter that could have been asserted in the Class Lawsuit and in *Born*, even if not asserted.

6. Defendants have asserted and continue to assert many defenses to the Class Representatives' and Settlement Class' claims and contentions. Defendants expressly assert their defenses have merit and that they have no liability to the Settlement Class or the Class Representatives.

#### **IV. DISTRIBUTION OF NET SETTLEMENT AMOUNT TO SETTLEMENT CLASS MEMBERS**

Settlement Class Counsel has requested that the Court (i) award Settlement Class Counsel an attorney's fee in an amount to be determined by the Court but not to exceed forty percent (40%) of the Settlement Proceeds as is customary in Oklahoma royalty underpayment class actions; (ii) award the Class Representatives a fee in an amount to be determined by the Court but not to exceed two percent (2%) of the Settlement Proceeds; (iii) reimburse Class Counsel from the Settlement Proceeds for all litigation expenses paid by Settlement Class Counsel, including expert and consulting fees and other litigation expenses in amounts to be determined by the Court; and (iv) authorize payment of Administration Expenses. If the Court approves this request, such amounts will be deducted from the Settlement Proceeds before the Net Settlement Amount is calculated and Distribution Checks are mailed to the Settlement Class Members.

Defendants have provided or will be providing data on the volume of gas produced by each Class Well on an Mcf basis for the Released Period and the last available revenue transaction report for each Class Well in their possession as of the Petition Date. From this data, the Class's expert and Settlement Class Counsel will aggregate the production of gas on an Mcf basis from each Class Well for the entire Released Period and compare that volume to the total volume of gas produced on an Mcf basis from all Class Wells for the entire Released Period to arrive at a percentage of volume produced by each Class Well during the Released Period. The Class's expert will then apply this percentage to 56% of the Settlement Proceeds to arrive at a preliminary estimate of the Net Settlement Amount to be distributed to each Class Well. Using 56% of the Settlement Proceeds for the preliminary allocation assumes 44% of the Settlement Proceeds will be used to pay court-approved Class Fees and Expenses and Administration Expenses.

Utilizing this methodology, a proportionate share of the estimated Net Settlement Amount will be preliminarily allocated to each Class Well. Utilizing the last available revenue transaction report for each Class Well obtained from Defendants or, if necessary, relevant royalty owner information from successor third-party operators, the preliminarily allocated amount will be further allocated from the Class-Well-level to each royalty

owner in each Class Well. A preliminary Summary Final Distribution Report will be posted on the website [taylorsheridanfund1settlement.com](http://taylorsheridanfund1settlement.com) when it is available to show you your allocated portion of the Net Settlement Amount. If a Settlement Class Member's distribution amount is less than \$5.00, the Settlement Administrator will not issue or mail a Distribution Check to such Settlement Class Member. Instead the amount will be held as Undistributed Proceeds and distributed as part of the Final Undistributed Fund. Please check the website periodically for updated information.

If a Class Well was plugged or shut-in during the Released Period, then the amount allocated to that Class Well shall be paid to the last known royalty owners paid by Defendants in those wells. If a Class Well was sold during the Class Period, then the amount allocated to the Class Well shall be paid to the last known royalty owners as may be ascertained from relevant royalty owner information provided by successor third-party operators to Settlement Class Counsel, publicly available data, or otherwise upon fair inquiry.

The distribution described above is based upon the following assumptions: (a) that very few sales of royalty interests in Class Wells have occurred during the Released Period; (b) if sales did occur during the Released Period, the buyer was entitled to receive payment for all past claims covered by the Settlement; and (c) if royalty interests passed through inheritance, devise, intra-family or interfamily transfers, that it was the intent that the heir, devisee or transferee also receive payment for all past claims covered by the Settlement. To the extent these assumptions are incorrect or a payee is not the proper party to receive payment, such Settlement Class Member who receives payment shall in turn make the correct payment to the proper party or parties entitled thereto or return the funds to the Settlement Administrator.

A draft of the Plan of Allocation and Distribution that details more fully the allocation process is attached as **Exhibit A** to the Settlement Agreement and remains subject to Court approval.

#### **V. CLASS SETTLEMENT FAIRNESS HEARING**

The Settlement Fairness Hearing will be held on July 13, 2020 beginning at 10:00 a.m. (CST), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, Courtroom 400, 4th Floor, 515 Rusk St., Houston, Texas 77002.

**A SETTLEMENT CLASS MEMBER WHO DOES NOT OPT-OUT DOES NOT NEED TO APPEAR AT THE SETTLEMENT FAIRNESS HEARING OR TAKE ANY OTHER ACTION TO PARTICIPATE IN THE SETTLEMENT.**

#### **VI. WHAT ARE YOUR OPTIONS AS A SETTLEMENT CLASS MEMBER?**

##### **A. You Can Participate in the Class Settlement by Doing Nothing.**

By taking no action, your interests will be represented by the Class Representatives and Settlement Class Counsel. As a Settlement Class Member, you will be bound by the outcome of the Settlement, if finally approved by the Court. The Class Representatives and Settlement Class Counsel believe that the Settlement is in the best interest of the Settlement Class, and, therefore, they intend to support the proposed Settlement at the Settlement Fairness Hearing.

##### **B. You May Opt-Out of the Settlement Class.**

If you do not wish to be a member of the Settlement Class, then you may opt-out of the Settlement Class as set forth in ¶ 10.3 of the Settlement Agreement and summarized below. You must mail your opt-out to the Settlement Administrator at the address provided below:

Taylor-Sheridan Fund 1 Settlement  
c/o JND Legal Administration  
PO Box 91231  
Seattle, WA 98111

**IN ORDER TO BE VALID, YOUR OPT-OUT MUST BE RECEIVED BY THE SETTLEMENT ADMINISTRATOR ON OR BEFORE 5:00 P.M. (CST) ON MAY 29, 2020.**

Your opt-out must state the following:

- (a) I elect to opt-out of the Settlement Class. I understand it will be my responsibility to pursue any claims I may have, if I so desire, on my own and at my expense;
- (b) My Sheridan royalty identification owner number is # \_\_\_\_\_. I have owned a royalty interest in the following Class Wells: [identify each Class Well by Well/ property name as shown on your check stub]; and
- (c) Your notarized signature.

**C. You May Remain a Member of the Settlement Class but Object to the Proposed Settlement.**

Under the Settlement Agreement, you have the right to remain a member of the Settlement Class but still object to the proposed Settlement and any of its terms, including the requests for Class Counsels' Fees and Expenses and Administration Expenses. To object to the Settlement, you must file with the Clerk of the Court for the United States Bankruptcy Court for the Southern District of Texas, Houston Division, 515 Rusk St., Houston, Texas 77002, by May 29, 2020, a written objection containing the following information:

- (a) The caption of this action shown above on the first page of this Notice;
- (b) A reasonably detailed statement of each objection;
- (c) Your current address and telephone number;
- (d) Your owner identification number with Sheridan;
- (e) The name of each well in which you own a royalty interest as shown on your check stub from Sheridan; and
- (f) Your signature.

If you fail to timely file such written statement or to provide the required information, the Court will treat your objection as not filed at all. Also, any appeal by a valid and timely objector must comply with the Settlement Agreement, which is available in its entirety at [www.taylorsheridanfund1settlement.com](http://www.taylorsheridanfund1settlement.com) or <http://cases.primeclerk.com/SheridanI>.

**VII. CONDITIONS AND CONSEQUENCES OF NON-APPROVAL**

If the Court does not approve the Settlement or if a Party exercises its right to void or terminate the Settlement, or if the Settlement fails to become effective for any reason, the Parties shall be returned to the status quo that existed immediately prior to the date of execution of the Settlement Agreement.

**VIII. SCOPE OF NOTICE AND ADDITIONAL INFORMATION**

**This Notice of Settlement contains only a summary of the Class Lawsuit, *Born*, and the proposed Settlement Agreement. The pleadings and other papers filed in the Debtors' chapter 11 cases are available for review at <http://cases.primeclerk.com/SheridanI> or the Court's website at [www.txs.uscourts.gov/bankruptcy](http://www.txs.uscourts.gov/bankruptcy).**

**You also may obtain a copy of the Complaint and Settlement Agreement, as well as any status updates on this case, from the following website: [www.taylorsheridanfund1settlement.com](http://www.taylorsheridanfund1settlement.com). You may also call the Settlement Administrator at 1-888-670-0458**

**DO NOT CALL OR WRITE THE COURT, THE OFFICE OF THE CLERK OF THE COURT, THE DEFENDANTS, OR THEIR COUNSEL REGARDING THIS NOTICE. INQUIRIES SHOULD BE MADE TO THE SETTLEMENT ADMINISTRATOR.**