

4. The Plaintiff has received payments from Defendant for production from gas wells located in Campbell County, Wyoming, referred to herein as the “Wells.”

DEFENDANT

5. Defendant Lance Oil & Gas Company, Inc. (“Lance”) is a Delaware corporation with its principal place of business located in Woodlands, Texas, authorized to conduct business in Wyoming.

6. Lance has the obligation and duty to pay Royalties to the Plaintiff pursuant to the terms of the leases and other instruments by which the right to receive Royalties was created or reserved, and the Wyoming Royalty Payment Act, W.S. § 30-5-301 et seq.

JURISDICTION AND VENUE

7. WYO. CONST. art. V, § 10 and WYO. STAT. § 30-5-303 (b) confer jurisdiction on this Court.

8. Jurisdiction exists in this Court without regard to the amount of damages under WYO. STAT. § 30-5-303 (b).

9. Venue for this matter is in Campbell County, Wyoming pursuant to WYO. STAT. §§ 1-5-107 and 1-5-108 and BP America Production Company v. Madsen, 53 P.3d 1088 (2002).

CLASS ACTION ALLEGATIONS

10. This action is brought by Plaintiff as a class action, on his own behalf and on behalf of the others similarly situated, under the provision of Rules 23 (a) and (b) of the Wyoming Rules of Civil Procedure, for the damages, injunctive and declaratory relief, and relief incident and subordinate thereto, including prejudgment/statutory interest, costs and attorneys fees.

11. The class so represented by Plaintiff in this action, and of which Plaintiff is himself a member, consists of all owners of royalties and overriding royalties in oil and gas leases covering lands throughout the State of Wyoming for which the Defendant pays, has paid or will pay Royalties.

12. The exact number of members of the class is not known, but it is estimated that there are not less than 1,000 members collectively. The class is so numerous that joinder of individual members herein is impracticable.

13. There are common questions of law and fact in the action that relate to and affect the rights of each member of the class and the relief sought is common to all of the members of the class, specifically:

Withholding from Royalties amounts for ad valorem, severance and conservation tax payments (collectively "Production Tax") in excess of the amount actually paid by:

- a. Over estimating and the ad valorem tax rate to be imposed, over withholding the amount of ad valorem tax from Royalty payments, and failing to compensate Royalty owners when a lesser tax amount is paid; and
- b. Calculating Production Tax payments on the Royalty value rather than the taxable value, which results in deductions from Royalties that exceed the amount of tax actually paid.

14. The claims of Plaintiff are typical of the claims of the class, in that the claims of all members of the class, including Plaintiff, depend on a showing of the acts and omissions of Defendant giving rise to the right of Plaintiff to the relief sought herein. There is no conflict as between the individual named Plaintiff and other members of the class with respect to this action, or with respect to the claims for relief herein set forth.

15. The named Plaintiff is the representative party for the class, and is able to, and will, fairly and adequately protect the interests of the class.

16. This action is properly maintained as a class action under W.R.C.P. 23 (b) (1) (A) in that the prosecution of separate actions by individual members of the class would create a risk of varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for the Defendant herein.

17. This action is properly maintained as a class action under W.R.C.P. 23 (b) (1) (B) in that the prosecution of separate actions by individual members of the class would create a risk of adjudications with respect to individual members of the class which would, as a practical matter, be dispositive of the interest of the other members not parties to the adjudications, or would substantially impair or impede their ability to protect their interest, specifically, but not limited to, Royalty interest owners under the same lease and/or wells as the named Plaintiff.

18. This action is properly maintained as a class action under W.R.C.P. 23 (b) (2) inasmuch as the Defendant has acted or refused to act, on grounds which are applicable to the

class, and has by reason of such conduct made final injunctive relief or corresponding declaratory relief appropriate with respect to the entire class, as sought in this action.

19. Defendant is withholding from Royalties amounts for Production Tax payments in excess of the amount actually paid by:

- a. Over estimating and the ad valorem tax rate to be imposed, over withholding the amount of ad valorem tax from Royalty payments, and failing to compensate Royalty owners when a lesser tax amount is paid; and
- b. Calculating Production Tax payments on the Royalty value rather than the taxable value, which results in deductions from Royalties that exceed the amount of tax actually paid.

20. This action is properly maintained as a class action under W.R.C.P. 23 (b) (3) inasmuch as the questions of law and fact common to the members of the class predominate over any questions affecting only individual members, and a class action is superior to the available methods for the fair and efficient adjudication of the controversy.

COUNT ONE-UNDERPAID ROYALTIES

21. Plaintiff incorporates by reference the allegations above.
22. The Defendant is legally responsible to the Plaintiff for Royalty payments from the sale of production.
23. Defendant has failed to pay the Plaintiff the proceeds to which he is entitled as a Royalty owner by deducting Production Taxes in excess of the amount due and paid, and has failed to pay the Plaintiff Royalties on all gas produced from the Wells.
24. The Defendant has breached the leases or other agreements with the Plaintiff and has violated the Wyoming Royalty Payment Act.
25. The Defendant's actions have damaged the Plaintiff. The Defendant is liable to the Plaintiff for the amount of underpaid Royalty.

COUNT TWO-PREJUDGMENT/STATUTORY INTEREST

26. Plaintiff incorporates by reference the allegations above.
27. Plaintiff is entitled to interest at the annual rate of eighteen percent (18%) per annum on all underpaid Royalties.

COUNT THREE-MONTHLY ASSESSMENT

28. Plaintiff incorporates by reference the allegations above.

29. For all periods relevant hereto, Defendant is legally responsible to pay its share of all Royalties for production on the Leases to those persons and entities owning such interests.
30. Under the reporting provisions of the Wyoming Royalty Payment Act, WYO. STAT. § 30-5-305, whenever Defendant makes payments for Wyoming oil and gas production to an interest owner, it must include information labeled on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular monthly basis describing “the total amount of state severance, ad valorem and other production taxes.”
31. For all relevant periods, the Defendant has failed to accurately report the required tax information.
32. For all relevant periods, the Defendant has failed to report the required tax information with respect to each monthly statement.
33. Defendant is liable to Plaintiff with respect to each defective statement in the amount of \$100.00 per month per Royalty owner that complete reporting as required by WYO. STAT. § 30-5-305 (b) was not provided to a Royalty owner.

COUNT FOUR-DECLARATORY JUDGMENT

34. Plaintiff incorporates by reference the allegations above.
35. The Plaintiff presently disputes with Defendant the proper method for calculating and correcting estimates of properly deductible Production Tax payments from Royalty payments.
36. Plaintiff is entitled to declaratory judgment declaring his rights under the Leases or other instruments creating interests in the Leases, that Defendant is required to:
- a) Apply the correct Production Tax deductions to the Taxable Value, not the Royalty Value;
 - b) Deduct the correct Production Tax from the Royalty amount due;
 - c) On or before September 1 of each year, reconcile the actual Production Taxes paid or due for the immediately preceding production year against the Production Taxes deducted from Royalty payments, and if Production Tax rate estimates have exceeded the Production Tax rate;
 - d) On or before September 15 of that year, make a correction payment of Royalties due Royalty holders, plus statutory interest of eighteen percent (18%) per annum for any

excess Production Tax withheld from Royalty payments, or, in the alternative, setting off such amount from current Production Tax.

COUNT FIVE-INJUNCTIVE RELIEF

37. Plaintiff incorporates by reference the allegations above.
38. Plaintiff is entitled to permanent injunctive relief prohibiting Defendant from over-withholding from Royalty payments excess Production Taxes and requiring Defendant to accurately estimate and deduct Production Taxes from Royalty Payment by:
 - a) Applying the correct Production Tax deductions to the Taxable Value, not the Royalty Value;
 - b) Deducting the correct Production Tax from the Royalty amount due;
 - c) On or before September 1 of each year, reconcile the actual Production Taxes paid or due for the immediately preceding production year against the Production Taxes deducted from Royalty payments, and if Production Tax rate estimates have exceeded the Production Tax rate;
 - d) On or before September 15 of that year, make a correction payment of Royalties due Royalty owners, plus statutory interest of eighteen percent (18%) per annum for any excess Production Tax withheld from Royalty payments, or, in the alternative, setting off such amount from current Production Tax.

COUNT SIX-COSTS AND ATTORNEY FEES

39. Plaintiff incorporates by reference the allegations above.
40. Pursuant to Wyo. Stat. § 30-5-303 (b), Plaintiff is entitled to costs and attorneys fees.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays, for himself and all other members of the class:

1. That the rights of the class members in the calculations of Royalties due and payable to them for oil and gas production from Leases be adjudicated and declared: Plaintiff's Royalty payments shall be free of deductions for Production Taxes not actually due or paid by Lance;
2. That Defendant, in the calculations of Royalties due and payable to the class members for oil and gas production from the Leases, be permanently restrained and enjoined

from deducting Production Taxes not actually paid, or required to correct for any over estimates on or before September 15 of the year immediately following the production year;

3. That Plaintiff and all class members be awarded damages from Defendant in the amount of underpaid Royalties resulting from excess Production Tax deductions;
4. That pursuant to WYO. STAT. § 30-5-303 (a), Plaintiff and all class members be awarded interest from Defendant at the rate of eighteen percent (18%) per annum;
5. That pursuant to WYO. STAT. § 30-5-303(c) Plaintiff and all class members be awarded from Defendant the amount of \$100.00 per month per Royalty owner that complete reporting as required by WYO. STAT. § 30-5-303 (b) was not provided to a Royalty owner;
6. That Plaintiff be awarded from Defendant court costs and reasonable attorney fees as provided in WYO. STAT. § 30-5-303 (b); and
7. That Plaintiff and all class members be granted such other and further relief as is just and equitable in the premises.

DATED this 14th day of February, 2012.



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