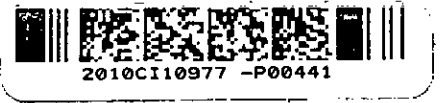


Saldana

20 min
JUDGE'S NOTES
W-REC



CAUSE NO.: 2010CI10977

COURT: 225

DATE/TIME: 02/28/2014 08:30AM

SETTING COURT: 109

STYLE: JOHN K MEYER

VS. JP MORGAN CHASE BANK N A ET AL

DISCOVERY LEVEL: 2

ATTORNEY(S) FOR CASE:

GEORGE SPENCER JR ✓

PATRICK SHEEHAN

JIM FLEGL

JOHN MASSOPUST

RUDY GARZA ✓

DAVID WILLIAMS ✓

RICHARD TINSMAN

DAVID PRICHARD

MARK RANDOLPH ✓

JAMES DROUGHT ✓

STEVEN BADGER

MATTHEW GOLLINGER

JOHN EICHMAN

MARK JOSEPHS

FRED STUMPF

Kevin Beiter

[Handwritten signature]

THIS CASE HAS 15 OR MORE ATTORNEYS

TYPE OF MOTION OR APPLICATION:

NON-JURY RESET ON MOTION TO COMPEL

CONFERRING _____ ESTIMATE HEARING TIME _____

AGREED ORDER _____ ASSIGNED COURT _____

DROP _____ RECORD TAKEN _____

INTERPRETER _____ RESET DATE _____ TIME _____

DATE OF NOTES 2/28/2014

By: [Signature]

BY: _____

JLD

DEPUTY

2014 FEB 28 A 8:32

FILED
DONNA KAY MEKINNEY
DISTRICT CLERK
BEXAR COUNTY

JUDGE INITIALS *[Signature]*

Mts to Compul granted. Record.

Order signed.

CATHY KERNODLE
438th DISTRICT COURT
(210)335-1531

Document
scanned as filed.

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, *ET AL.*,

Plaintiffs,

JP MORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST AND
GARY P. AYMES,

Defendants.

§
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§

IN THE DISTRICT COURT

225th JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

**U.S. BANK NATIONAL ASSOCIATION'S MOTION TO QUASH AND
MOTION FOR PROTECTIVE ORDER**

U.S. Bank National Association, in its capacity as Trustee or Co-Trustee for various trust entities and as agent for two individuals holding Certificates of Beneficial Interest in the South Texas Syndicate Trust ("U.S. Bank"), files this Motion to Quash and Motion for Protective Order (pursuant to common law and Rule 192.6 TRCP) against Defendant JPMorgan Chase Bank, N.A., Individually/Corporately and as Trustee of the South Texas Syndicate Trust ("JPMorgan") with respect to JPMorgan's Amended Notice of Intention to Take Oral and Videotaped Deposition of the Corporate Representatives of U.S. Bank National Association ("Deposition Notice").

SUMMARY OF MOTION

U.S. Bank seeks to quash, or in the alternative modify, Deposition Notice JPMorgan served on U.S. Bank. With its Deposition Notice, JPMorgan attempts to require U.S. Bank to designate a corporate representative to testify to matters outside the bounds of discovery permissible under the Texas Rules of Civil Procedure and the discovery limitations imposed by Judge Mery's June 2013 ruling. JPMorgan's requests are irrelevant. They seek confidential and

proprietary information and information about allegations U.S. Bank has not made. Furthermore, Defendants are aware that the Plaintiffs will not call any U.S. Bank representative to testify at trial so there is no need to take any deposition testimony of U.S. Bank corporate representatives. Accordingly, U.S. Bank respectfully requests the Court quash or modify JPMorgan's Deposition Notice and issue a protective order protecting U.S. Bank from this request.

BACKGROUND FACTS

I. Summary of the action

Plaintiffs, beneficiaries of the South Texas Syndicate ("STS") Trust, allege JPMorgan mismanaged trust assets and breached its fiduciary duties during its tenure as trustee of the STS Trust. Plaintiffs sued JPMorgan seeking a statutory accounting, removal of JPMorgan as trustee, and damages for JPMorgan's violations of statutory and common law. Plaintiffs further seek judicial reformation of the STS Trust instrument to protect the beneficiaries' interests in the future, provide transparency, define the duties of the trustee, and ensure the efficient and proper administration of the STS Trust.

Since Plaintiffs initiated this matter, JPMorgan has been removed as trustee and issues related to the appointment of a successor trustee have been severed from issues related to JPMorgan's mismanagement and breaches of fiduciary duty such that only matters related to JPMorgan's breaches of fiduciary duty remain before the Court.

II. U.S. Bank's involvement in this matter

Plaintiff U.S. Bank holds shares of the Trust as agent, trustee, or co-trustee of several beneficiaries of the Trust.

III. The Deposition Notice

On February 21, 2014, JPMorgan served upon U.S. Bank a Deposition Notice directing U.S. Bank to designate one or more persons to testify to 28 broad topics. A true and correct copy of the Deposition Notice is attached as **Exhibit A**.

ARGUMENT AND AUTHORITIES

U.S. Bank moves for a protective order under Rule 192.6(b) and the common law to protect itself from the abusive burden and harassment that JPMorgan attempts to impose with its Deposition Notice. Specifically, U.S. Bank requests the Court either (1) quash the Deposition Notice in its entirety or (2) limit the scope of discovery sought under the Deposition Notice.

I. Legal standards

To protect the movant from undue burden, unnecessary expense, or harassment, the court may order that: (1) the requested discovery not be sought in whole or in part; (2) the extent or subject matter of discovery be limited; or (3) the discovery be undertaken only upon such terms as directed by the court. Tex. R. Civ. P. 192.6(b). A trial court has the same discretion to modify the scope of a deposition as with written discovery. *See In re West*, 346 S.W.3d 612, 615-16 (Tex. Ct. App. 2009). This discretion extends to deposition notices directed to organizations and corporations. *See In re Univar USA, Inc.*, 311 S.W.3d 183, 186-87 (Tex. Ct. App. 2010).

Although the Texas Rules of Civil Procedure allow for broad discovery, where a deposition notice is directed to an organization, discovery must be limited to matters:

- “[K]nown or reasonably available to the organization[.]” Tex. R. Civ. P. 199.2; and
- Relevant to the case, *In re Univar*, 311 S.W.3d at 186-87.

Further, the court should not allow discovery that is unreasonably cumulative or duplicative, or obtainable from some other source that is more convenient, less burdensome or less expensive, Tex. R. Civ. P. 192.4.

II. U.S. Bank's specific objections to the Deposition Notice

U.S. Bank seeks to quash JPMorgan's Deposition Notice as (1) seeking irrelevant information, (2) seeking information not known or reasonably available to U.S. Bank, (3) seeking information that is confidential and proprietary, (4) making requests for information that are nonsensical under the circumstances presented by this litigation, and (5) making requests to which U.S. Bank has no foundation to respond. Accordingly, U.S. Bank contends the noticed topics of inquiry are overly broad, unduly burdensome, and harassing and requests the Court quash the Deposition Notice.

The requested Topics of inquiry in JPMorgan's Deposition Notice should be quashed or modified for the following reasons:

TOPICS 1-3: The identity of the "twenty-four (24) trust entities" referred to in the Plea in Intervention, the beneficiaries of said trust entities and the administration of said trust entities.

U.S. Bank seeks to quash this request as nonsensical as no pleading of U.S. Bank contains any such reference. U.S. Bank further objects to this request as harassing, overbroad and unduly burdensome. As trustee to these trust entities, U.S. Bank has a fiduciary duty to ensure the continued confidentiality of its beneficiaries' sensitive and confidential information. Moreover, JP Morgan is in possession of the information concerning trust entities administered by U.S. Bank and has no need for deposition testimony on this topic. Further, this information is wholly irrelevant, as the identity of the trust entities and the identity of the beneficiaries to these trust entities has no bearing on any claim or defense in this litigation. U.S Bank's administration of these trust entities is similarly irrelevant to any issue in this litigation. This was determined by

Judge Mery's June 2013 discovery ruling in this action that Defendants are not entitled to document discovery concerning U.S. Bank's administration of these and other trust entities. The deposition notice seeks testimony on topics beyond the scope of permissible discovery.

TOPICS 4-5: Your allegations that JPMorgan charged and paid excessive fees, unreasonable, unnecessary, and unauthorized fees to the Trust.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic.

TOPIC 6: Your published fee schedules for the fiduciary services that You provide for the periods between January 1, 2005 through the present.

U.S. Bank seeks to quash this topic as irrelevant, as U.S. Bank's fee schedules have no bearing on any of Plaintiffs' claims or any of JPMorgan's defenses. Further, U.S. Bank seeks to quash this request because it seeks confidential and proprietary information about U.S. Bank's business practices. Finally, U.S. Bank seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 rulings limiting the scope of permissible discovery.

TOPIC 7: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affair and the Trust property by, *inter alia*, entering into arrangements with third parties that present an actual or potential conflict of interest for the Trustee to the detriment of Plaintiffs and other beneficiaries, including arrangements with Petrohawk, Pioneer, and EOG.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. U.S. Bank has

made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic.

TOPIC 8: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust Property by, *inter alia*, entering into arrangements with third parties that directly or indirectly benefitted the Trustee to the detriment of the Plaintiffs and other beneficiaries.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic.

TOPIC 9: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that contained provisions that were significantly below market, depriving the trust of significant revenue.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 10: Your allegations that JPMorgan violated any duties regarding conflicts of interests.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 11: Any alleged violation of Information Barriers by JPMorgan.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 12: Information Barriers that pertain to JPMorgan.

U.S. Bank seeks to quash this request as nonsensical. Further, JPMorgan already possesses or should already possess information about any applicable information barriers; thus, its request to discover such information from U.S. Bank is harassing and unnecessarily burdensome. Furthermore U.S. Bank has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 13: Your Information Barriers policies.

U.S. Bank seeks to quash this request as irrelevant. U.S. Bank's information barriers policies have no bearing on any of Plaintiffs' claims or any of JPMorgan's defenses. Further, U.S. Bank seeks to quash this request as improperly seeking confidential and proprietary information. Given that JPMorgan is one of U.S. Bank's largest competitors, it should not be allowed to discover specific details about U.S. Bank's proprietary business practices. Finally, U.S. Bank seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 14: Information Barriers Required by Regulation 9 of the Office of the Comptroller of the Currency.

U.S. Bank seeks to quash this request as nonsensical. Further, JPMorgan already possesses or should already possess information about any applicable information barriers; thus, its request to discover such information from U.S. Bank is harassing and unnecessarily burdensome. Finally, U.S. Bank seeks to quash this request as irrelevant to the prosecution or defense of this matter.

TOPIC 15: Your allegations that JPMorgan entered into any below market value leases with respect to the STS Trust.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 16: Your allegation that JPMorgan acted imprudently with respect to entering into mineral leases for the STS Trust.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 17: Your allegations that JPMorgan mismanaged the STS Trust.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has

been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 18: Your allegations that JPMorgan is guilty of tortious actions.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 19: Your allegations that JPMorgan committed fraud.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 20: Your allegations that JPMorgan was guilty of fraud by nondisclosure.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 21: Your allegations that JPMorgan was guilty of negligent misrepresentation.

U.S. Bank seeks to quash this request because it seeks information not known or reasonably available to U.S. Bank. U.S. Bank has made a good faith effort to locate a corporate

designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 22: Your interest or desire to serve as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

U.S. Bank seeks to quash this request as irrelevant and harassment. Issues related to the appointment of a successor trustee have been severed out of this litigation from issues remaining related to whether JPMorgan properly carried out its duties as trustee of the STS Trust and the damages resulting from JPMorgan's acts and omissions. As such, any alleged interest or desire of U.S. Bank to serve as trustee of the STS Trust has no bearing on the issues remaining in this matter.

TOPIC 23: Internal communications mentioning or pertaining to Your serving as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

U.S. Bank seeks to quash this request as irrelevant and harassment. Issues related to the appointment of a successor trustee have been severed out of this litigation from issues remaining related to whether JPMorgan properly carried out its duties as trustee of the STS Trust and the damages resulting from JPMorgan's acts and omissions. As such, any alleged interest or desire of U.S. Bank to serve as trustee of the STS Trust has no bearing on the issues remaining in this matter.

TOPIC 24: Allegations regarding the resignation of JPMorgan contained in Plaintiffs' Fourth Amended Original Petition (pp. 16-22).

U.S. Bank seeks to quash this request as inappropriate, irrelevant, and seeking information not known or reasonably available to U.S. Bank. U.S. Bank has not yet adopted the allegations set forth in Plaintiffs' Fourth Amended Original Petition and therefore cannot designate a representative to testify the allegations it makes. Moreover, summary judgment was

granted on these issues and JPMorgan's resignation was ordered by Judge Neller-moe, rendering this topic irrelevant to the remaining issues in the litigation. Furthermore, U.S. Bank has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 25: Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) about the Defendants and/or the services provided by J. P. Morgan as Trustee if the STS Trust.

U.S. Bank seeks to quash this request as irrelevant and harassment. U.S. Bank's communications with STS Trust beneficiaries have no bearing on whether JPMorgan properly carried out its duties as trustee of the STS Trust. Additionally, U.S. Bank seeks to quash this request because its communications with STS Trust beneficiaries are confidential and contain sensitive and proprietary information, and to the extent such communications exist and are related to the instant litigation, they are protected by the work product doctrine and the common interest doctrine, and some portion of the communications may also be protected by the attorney-client privilege. Finally, U.S. Bank seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 26: Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) regarding any annual meeting of the Trust Beneficiaries.

U.S. Bank seeks to quash this request as irrelevant and harassment. U.S. Bank's communications with STS Trust beneficiaries have no bearing on whether JPMorgan properly carried out its duties as trustee of the STS Trust. Additionally, U.S. Bank seeks to quash this request because its communications with STS Trust beneficiaries are confidential and contain sensitive and proprietary information, and to the extent such communications exist and are

related to the instant litigation, they are protected by the work product doctrine and the common interest doctrine, and some portion of the communications may also be protected by the attorney-client privilege. Finally, U.S. Bank seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 27: Internal communications and notes mentioning or pertaining to any annual meeting of the Trust Beneficiaries.

U.S. Bank seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no U.S. Bank representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic. Additionally, this topic encompasses testimony that is protected by the attorney-client privilege and the work product protection.

TOPIC 28: The annual meetings of Trust Beneficiaries.

U.S. Bank seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no U.S. Bank representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic. Additionally, this topic encompasses testimony that is protected by the attorney-client privilege and the work product protection.

TOPIC 29: The presentation by several of the Plaintiffs' attorneys on October 15, 2011 in San Antonio, Texas.

U.S. Bank seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no U.S.

Bank representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic.

TOPIC 30: Whether Intervenorors are bringing this action on behalf of themselves only, all beneficiaries, or the STS Trust.

U.S. Bank seeks to quash this request as seeking information not known or reasonably available to U.S. Bank outside of topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. U.S. Bank lacks the foundation to testify to this topic. U.S. Bank can only speak to the claims asserted by U.S. Bank; it cannot speak to the general intent of all intervenors to this matter.

TOPIC 31: Whether Intervenorors are seeking damages on behalf of themselves only, all beneficiaries, or the STS Trust.

U.S. Bank seeks to quash this request as seeking information not known or reasonably available to U.S. Bank outside of topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. U.S. Bank lacks the foundation to testify to this topic. U.S. Bank can only speak to the claims asserted by U.S. Bank; it cannot speak to the general intent of all intervenors to this matter

CONCLUSION

WHEREFORE, U.S. Bank prays the Court grant this Motion, quash the Deposition Notice in its entirety, and sign a protective order protecting U.S. Bank from JPMorgan's discovery request. Alternatively, U.S. Bank requests the Court modify the Deposition Notice limiting the areas of inquiry to those topics within the scope of permissible discovery and consistent with Judge Mery's June 2013 ruling.

Dated: February 25, 2014

Respectfully submitted,

ZELLE HOFMANN VOELBEL & MASON LLP

By: /s/ Matthew J. Gollinger
JOHN B. MASSOPUST (*pro hac vice*)
MATTHEW J. GOLLINGER (*pro hac vice*)
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Minneapolis, MN 55415
Telephone: (612) 339-2020
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**ATTORNEYS FOR PLAINTIFF
INTERVENORS U.S. BANK NATIONAL
ASSOCIATION AND U.S. BANK TRUST
NATIONAL ASSOCIATION SD**

CERTIFICATE OF SERVICE

THIS IS TO CERTIFY that a true and correct copy of the foregoing has been served on the 25th day of February, 2014, in accordance with the TEXAS RULES OF CIVIL PROCEDURE as follows:

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David Jed Williams
Mr. Rudy Garza
Hornberger Sheehan Fuller
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San Antonio, TX 78209

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/s/ Matthew J. Gollinger
Matthew J. Gollinger

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, <i>ET AL.</i> ,	§	IN THE DISTRICT COURT
	§	
Plaintiffs,	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	
INDIVIDUALLY/CORPORATELY	§	225 th JUDICIAL DISTRICT
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST AND	§	
GARY P. AYMES,	§	
	§	
Defendants.	§	BEXAR COUNTY, TEXAS

**WELLS FARGO BANK N.A.'S MOTION TO QUASH AND
MOTION FOR PROTECTIVE ORDER**

Wells Fargo Bank N.A. ("Wells Fargo"), in its capacity as Trustee or Co-Trustee for trust entities which hold Certificates of Beneficial Interest in the South Texas Syndicate Trust, files this Motion to Quash and Motion for Protective Order (pursuant to common law and Rule 192.6 TRCP) against Defendant JPMorgan Chase Bank, N.A., Individually/Corporately and as Trustee of the South Texas Syndicate Trust ("JPMorgan") with respect to JPMorgan's Amended Notice of Intention to Take Oral and Videotaped Deposition of the Corporate Representatives of Wells Fargo Bank N.A. ("Deposition Notice").

SUMMARY OF MOTION

Wells Fargo seeks to quash, or in the alternative modify, Deposition Notice JPMorgan served on Wells Fargo. With its Deposition Notice, JPMorgan attempts to require Wells Fargo to designate a corporate representative to testify to matters well outside the bounds of discovery permissible under the Texas Rules of Civil Procedure and the discovery limitations imposed by Judge Mery's June 2013 ruling. JPMorgan's requests are irrelevant. They are nonsensical. They seek confidential and proprietary information. And they seek information about allegations

Wells Fargo has not made. Accordingly, Wells Fargo respectfully requests the Court quash or modify JPMorgan's Deposition Notice and issue a protective order protecting Wells Fargo from this request.

BACKGROUND FACTS

I. Summary of the action

Plaintiffs, beneficiaries of the South Texas Syndicate ("STS") Trust, allege JPMorgan mismanaged trust assets and breached its fiduciary duties during its tenure as trustee of the STS Trust. Plaintiffs sued JPMorgan seeking a statutory accounting, removal of JPMorgan as trustee, and damages for JPMorgan's violations of statutory and common law. Plaintiffs further seek judicial reformation of the STS Trust instrument to protect the beneficiaries' interests in the future, provide transparency, define the duties of the trustee, and ensure the efficient and proper administration of the STS Trust.

Since Plaintiffs initiated this matter, JPMorgan has been removed as trustee and issues related to the appointment of a successor trustee have been severed from issues related to JPMorgan's mismanagement and breaches of fiduciary duty such that only matters related to JPMorgan's breaches of fiduciary duty remain before the Court.

II. Wells Fargo's involvement in this matter

Wells Fargo serves as trustee or co-trustee for certain trust entities that hold Certificates of Beneficial Interest in the STS Trust.

III. The Deposition Notice

On February 21, 2014, JPMorgan served upon Wells Fargo a Deposition Notice directing Wells Fargo to designate one or more persons to testify to 31 broad topics. A true and correct copy of the Deposition Notice is attached as **Exhibit A**.

ARGUMENT AND AUTHORITIES

Wells Fargo moves for a protective order under Rule 192.6(b) and the common law to protect itself from the abusive burden and harassment that JPMorgan attempts to impose with its Deposition Notice. Specifically, Wells Fargo requests the Court either (1) quash the Deposition Notice in its entirety or (2) limit the scope of discovery sought under the Deposition Notice.

I. Legal standards

To protect the movant from undue burden, unnecessary expense, or harassment, the court may order that: (1) the requested discovery not be sought in whole or in part; (2) the extent or subject matter of discovery be limited; or (3) the discovery be undertaken only upon such terms as directed by the court. Tex. R. Civ. P. 192.6(b). A trial court has the same discretion to modify the scope of a deposition as with written discovery. *See In re West*, 346 S.W.3d 612, 615-16 (Tex. Ct. App. 2009). This discretion extends to deposition notices directed to organizations and corporations. *See In re Univar USA, Inc.*, 311 S.W.3d 183, 186-87 (Tex. Ct. App. 2010).

Although the Texas Rules of Civil Procedure allow for broad discovery, where a deposition notice is directed to an organization, discovery must be limited to matters:

- “[K]nown or reasonably available to the organization[.]” Tex. R. Civ. P. 199.2; and
- Relevant to the case, *In re Univar*, 311 S.W.3d at 186-87.

Further, the court should not allow discovery that is unreasonably cumulative or duplicative, or obtainable from some other source that is more convenient, less burdensome or less expensive, Tex. R. Civ. P. 192.4.

II. Wells Fargo’s specific objections to the Deposition Notice

Wells Fargo seeks to quash JPMorgan’s Deposition Notice as (1) seeking irrelevant information, (2) seeking information not known or reasonably available to Wells Fargo, (3)

seeking information that is confidential and proprietary, (4) making requests for information that are nonsensical under the circumstances presented by this litigation, and (5) making requests to which Wells Fargo has no foundation to respond. Furthermore, Defendants are aware that the Plaintiffs will not call any Wells Fargo representative to testify at trial so there is no need to take any deposition testimony of Wells Fargo corporate representatives. Accordingly, Wells Fargo contends the noticed topics of inquiry are overly broad, unduly burdensome, and harassing and requests the Court quash the Deposition Notice.

The requested Topics of inquiry in JPMorgan's Deposition Notice should be quashed or modified for the following reasons:

TOPICS 1-3: The identity of the trust entities referred to in the Plea in Intervention, the beneficiaries of said trust entities and the administration of said trust entities.

Wells Fargo seeks to quash this request as harassing, overbroad and unduly burdensome. As trustee to these trust entities, Wells Fargo has a fiduciary duty to ensure the continued confidentiality of its beneficiaries' sensitive and confidential information. Moreover, JP Morgan is in possession of the information concerning trust entities administered by Wells Fargo and has no need for deposition testimony on this topic. Further, this information is wholly irrelevant, as the identity of the trust entities and the identity of the beneficiaries to these trust entities has no bearing on any claim or defense in this litigation. Finally Judge Mery's June 2013 discovery ruling in this action determined that Defendants are not entitled to document discovery concerning Wells Fargo's administration of these and other trust entities. The deposition notice seeks testimony on topics beyond the scope of permissible discovery.

TOPICS 4-5: Your allegations that JPMorgan charged and paid excessive fees, unreasonable, unnecessary, and unauthorized fees to the Trust.

Wells Fargo seeks to quash this request as it is inappropriate, irrelevant, and seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that

JPMorgan charge excessive and unreasonable fees. Accordingly, Wells Fargo cannot designate a representative to testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 6: Your published fee schedules for the fiduciary services that You provide for the periods between January 1, 2005 through the present.

Wells Fargo seeks to quash this topic as irrelevant, as Wells Fargo's fee schedules have no bearing on any of Plaintiffs' claims or any of JPMorgan's defenses. Further, Wells Fargo seeks to quash this request because it seeks confidential and proprietary information about Wells Fargo's business practices. Finally, Wells Fargo seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 7: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affair and the Trust property by, *inter alia*, entering into arrangements with third parties that present an actual or potential conflict of interest for the Trustee to the detriment of Plaintiffs and other beneficiaries, including arrangements with Petrohawk, Pioneer, and EOG.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that JPMorgan violated fiduciary duties by entering into arrangements with third parties that present an actual or potential conflict of interest. Accordingly, Wells Fargo cannot designate a representative to testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 8: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust Property by, *inter alia*, entering into arrangements with third parties that directly or indirectly benefitted the Trustee to the detriment of the Plaintiffs and other beneficiaries.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that JPMorgan violated fiduciary duties by entering into arrangements that constitute conflicts of interest. Accordingly, Wells Fargo cannot designate a representative to testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 9: Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that contained provisions that were significantly below market, depriving the trust of significant revenue.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that JPMorgan violated fiduciary duties by entering into arrangements that constitute conflicts of interest. Accordingly, Wells Fargo cannot designate a representative to testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 10: Your allegations that JPMorgan violated any duties regarding conflicts of interests.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that JPMorgan violated duties regarding conflicts of interest. Accordingly, Wells Fargo cannot designate a representative to

testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 11: Any alleged violation of Information Barriers that pertain to JPMorgan.

Wells Fargo seeks to quash this request because it nonsensical and seeks information not known or reasonably available to Wells Fargo. Wells Fargo has not alleged that JPMorgan violated information barriers. Accordingly, Wells Fargo cannot designate a representative to testify to this topic, as information about this topic is neither known nor reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 12: Information Barriers that pertain to JPMorgan.

Wells Fargo seeks to quash this request as nonsensical. Further, JPMorgan already possesses or should already possess information about any applicable information barriers; thus, its request to discover such information from Wells Fargo is harassing and unnecessarily burdensome. Furthermore Wells Fargo has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 13: Your Information Barriers policies.

Wells Fargo seeks to quash this request as irrelevant. Wells Fargo's information barriers policies have no bearing on any of Plaintiffs' claims or any of JPMorgan's defenses. Further, Wells Fargo seeks to quash this request as improperly seeking confidential and proprietary information about Wells Fargo's business practices. Given that JPMorgan is one of Wells Fargo's largest competitors, it should not be allowed to discover specific details about Wells Fargo's proprietary business practices. Finally, Wells Fargo seeks to quash this request because

it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 14: Information Barriers required by Regulation 9 of the Office of the Comptroller of the Currency.

Wells Fargo seeks to quash this request as nonsensical. Further, JPMorgan already possesses or should already possess information about any applicable information barriers; thus, its request to discover such information from Wells Fargo is harassing and unnecessarily burdensome. Finally, Wells Fargo seeks to quash this request as irrelevant to the prosecution or defense of this matter.

TOPIC 15: Your allegation that JPMorgan entered into any below market value leases with respect to the STS Trust.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 16: Your allegation that JPMorgan acted imprudently with respect to entering into mineral leases for the STS Trust.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 17: Your allegations that JPMorgan mismanaged the STS Trust.

Wells Fargo seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no Wells Fargo representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic.

TOPIC 18: Your allegations that JPMorgan is guilty of tortious actions.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 19: Your allegations that JPMorgan committed fraud.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 20: Your allegations that JPMorgan was guilty of fraud by nondisclosure.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 21: Your allegations that JPMorgan was guilty of negligent misrepresentation.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo. Wells Fargo has made a good faith effort to locate a corporate designee but has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 22: Your interest or desire to serve as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

Wells Fargo seeks to quash this request as irrelevant and harassment. Issues related to the appointment of a successor trustee have been severed out of this litigation from issues remaining related to whether JPMorgan properly carried out its duties as trustee of the STS Trust and the damages resulting from JPMorgan's acts and omissions. As such, any alleged interest or desire of Wells Fargo's to serve as trustee of the STS Trust has no bearing on the issues remaining in this matter.

TOPIC 23: Internal communications mentioning or pertaining to Your serving as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

Wells Fargo seeks to quash this request as irrelevant and harassment. Issues related to the appointment of a successor trustee have been severed out of this litigation from issues remaining related to whether JPMorgan properly carried out its duties as trustee of the STS Trust and the damages resulting from JPMorgan's acts and omissions. As such, any alleged interest or desire of Wells Fargo's to serve as trustee of the STS Trust has no bearing on the issues remaining in this matter.

TOPIC 24: Allegations regarding the resignation of JPMorgan contained in Plaintiffs' Fourth Amended Original Petition (pp. 16-22).

Wells Fargo seeks to quash this request as inappropriate, irrelevant, and seeking information not known or reasonably available to Wells Fargo. Wells Fargo has not yet adopted the allegations set forth in Plaintiffs' Fourth Amended Original Petition and therefore cannot designate a representative to testify the allegations it makes. Moreover, summary judgment was granted on these issues and JPMorgan's resignation was ordered by Judge Nellermoe, rendering this topic irrelevant to the remaining issues in the litigation. Furthermore, Wells Fargo has no substantive testimony to offer in response to this topic outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine.

TOPIC 25: Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) about the Defendants and/or the services provided by J. P. Morgan as Trustee of the STS Trust.

Wells Fargo seeks to quash this request as irrelevant and harassment. Wells Fargo's communications with STS Trust beneficiaries have no bearing on whether JPMorgan properly carried out its duties as trustee of the STS Trust. Additionally, Wells Fargo seeks to quash this request because its communications with STS Trust beneficiaries are confidential and contain sensitive and proprietary information, and to the extent such communications exist and are related to the instant litigation, they are protected by the work product doctrine and the common interest doctrine, and some portion of the communications may also be protected by the attorney-client privilege. Finally, Wells Fargo seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 26: Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) regarding any annual meeting of the Trust Beneficiaries.

Wells Fargo seeks to quash this request as irrelevant and harassment. Wells Fargo's communications with STS Trust beneficiaries have no bearing on whether JPMorgan properly carried out its duties as trustee of the STS Trust. Additionally, Wells Fargo seeks to quash this request because its communications with STS Trust beneficiaries are confidential and contain sensitive and proprietary information, and to the extent such communications exist and are related to the instant litigation, they are protected by the work product doctrine and the common interest doctrine, and some portion of the communications may also be protected by the attorney-client privilege. Finally, Wells Fargo seeks to quash this request because it is overly broad, unduly burdensome, and inconsistent with Judge Mery's June 2013 ruling limiting the scope of permissible discovery.

TOPIC 27: Internal communications and notes mentioning or pertaining to any annual meeting of the Trust Beneficiaries.

Wells Fargo seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no Wells Fargo representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic. Additionally, this topic encompasses testimony that is protected by the attorney-client privilege and the work product protection.

TOPIC 28: The annual meetings of Trust Beneficiaries.

Wells Fargo seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no Wells Fargo representative will be called to testify in the plaintiffs' case at trial and therefore

Defendants have no need for deposition testimony on this topic. Additionally, this topic encompasses testimony that is protected by the attorney-client privilege and the work product protection.

TOPIC 29: The presentation by several of the Plaintiffs' attorneys on October 15, 2011 in San Antonio, Texas.

Wells Fargo seeks to quash this request because it constitutes harassment and is wholly unnecessary to the proof of any claim or defense in this action. As Defendants are aware no Wells Fargo representative will be called to testify in the plaintiffs' case at trial and therefore Defendants have no need for deposition testimony on this topic.

TOPIC 30: Whether Intervenor are bringing this action on behalf of themselves only, all beneficiaries, or the STS Trust.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. Wells Fargo has foundation only to testify about the claims it has asserted against JPMorgan; it cannot testify about the general intent of all Plaintiffs and Intervenor in this matter.

TOPIC 31: Whether Intervenor are seeking damages on behalf of themselves only, all beneficiaries, or the STS Trust.

Wells Fargo seeks to quash this request because it seeks information not known or reasonably available to Wells Fargo outside of what has been communicated by litigation counsel under the protection of the attorney-client privileges and work product doctrine. Wells Fargo has foundation only to testify about the claims it has asserted against JPMorgan; it cannot testify about the general intent of all Plaintiffs and Intervenor in this matter.

CONCLUSION

WHEREFORE, Wells Fargo prays the Court grant this Motion, quash the Deposition Notice in its entirety, and sign a protective order protecting Wells Fargo from JPMorgan's discovery request. Alternatively, Wells Fargo requests the Court modify the Deposition Notice limiting the areas of inquiry to those topics within the scope of permissible discovery and consistent with Judge Mery's June 2013 ruling.

Dated: February 25, 2014

Respectfully submitted,

ZELLE HOFMANN VOELBEL & MASON LLP

By: /s/ Matthew J. Gollinger
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**ATTORNEYS FOR PLAINTIFF
INTERVENOR WELLS FARGO BANK, N.A.**

CERTIFICATE OF SERVICE

THIS IS TO CERTIFY that a true and correct copy of the foregoing has been served on the 25th day of February, 2014, in accordance with the TEXAS RULES OF CIVIL PROCEDURE as follows:

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/s/ Matthew J. Gollinger
Matthew J. Gollinger

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, <i>ET AL.</i> ,	§	IN THE DISTRICT COURT
	§	
<i>Plaintiffs,</i>	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	
INDIVIDUALLY/CORPORATELY AND	§	225 th JUDICIAL DISTRICT
AS TRUSTEE OF THE SOUTH TEXAS	§	
SYNDICATE TRUST	§	
	§	
	§	
<i>Defendant.</i>	§	BEXAR COUNTY, TEXAS

PLAINTIFFS' SIXTH AMENDED PETITION

Plaintiffs complain of JP Morgan Chase Bank, N.A., Individually/Corporately and as Trustee of the SOUTH TEXAS SYNDICATE TRUST (“Defendant” or “J.P. Morgan”), and for causes of action would show the following:

I.

PARTIES AND AUTHORITY TO BRING ACTION

1. Defendant J.P. Morgan Chase Bank, N.A. is a foreign financial institution licensed to do business in the State of Texas. J.P. Morgan has appeared in this cause. J.P. Morgan is the current Trustee of the South Texas Syndicate Trust (the “STS Trust”).

2. Plaintiff Linda Aldrich is a resident of California. Ms. Aldrich is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Plaintiff Aldrich is also a beneficiary of the Harry C. Piper Sr. Trust FBO Linda Aldrich, which holds a Certificate of Beneficial Interest in the STS Trust.

3. Plaintiffs Edward P. and Karla Barrington are residents of Spokane, WA. The Barringtons are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

4. Plaintiff Judy A. Barrington is a resident of Spokane, WA. Ms. Barrington is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

5. Plaintiff Maryann Barrington, is a resident of Spokane, WA. Ms. Barrington is a beneficiary holding a Certificate of Beneficiary Interest in the STS Trust.

6. Plaintiffs Patrick R. and Delores Bartleson are residents of Spokane, WA. The Bartlesons are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

7. Plaintiff Sarah Bell is a resident of Minnesota. Ms. Bell is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

8. Plaintiff Emilie Blaze is a resident of Ruxton, MD. Ms. Blaze is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

9. Plaintiffs Sharon T. and Joe Blazek are residents of Nine Mile Falls, WA. The Blazeks are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

10. Plaintiff Noah Bly is a resident of Edina, MN. Mr. Bly is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

11. Plaintiff Anne Bouliane is a resident of San Francisco, CA. Ms. Bouliane is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

12. Plaintiff Douglas Burdette is a resident of Burbank, CA. Mr. Burdette is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

13. Plaintiff Wayne Burdette is a resident of Meadow Vista, CA. Mr. Burdette is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

14. Plaintiff Kathryn M. Canwell is a resident of Washington. Ms. Canwell is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

15. Plaintiff Bonnie Card is a resident of Monrovia, CA. Ms. Card is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

16. Plaintiff John Carney is a resident of Minnesota. Mr. Carney is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

17. Plaintiff Josephine Carney is a resident of North Carolina. Ms. Carney is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

18. Plaintiff Barbara Carson is a resident of Washington. Ms. Carson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

19. Plaintiff Alice P. Cestari is a resident of Massachusetts. Ms. Cestari is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Ms. Cestari is also a beneficiary of the George F. Piper Trust FBO Alice P. Cestari, which holds a Certificate of Beneficial Interest in the STS Trust.

20. Plaintiff Barbara Warner Collins is a resident of Colorado. Ms. Collins is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

21. Plaintiff Catherine M. Cowles is a resident of Duluth, MN. Ms. Cowles is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

22. Plaintiffs Sally and Daniel E. Crowley, IV are residents of Spokane, WA. The Crowleys are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

23. Plaintiff Sheila Ann Curlee is a resident of Houston, TX. Ms. Curlee is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

24. Plaintiff Harriett O. Curry is a resident of Oregon. Ms. Curry is a beneficiary and trustee of the Harriett O. Curry Revocable Trust U/A February 24, 2000 (aka “RBC Wealth Management Ref: 309-46212”), which holds a Certificate of Beneficial Interest in the STS Trust.

25. Plaintiff AnnaJo Doerr is a resident of Wisconsin. Ms. Doerr is the manager and beneficiary of the AnnaJo Doerr Managing Agency, which holds a Certificate of Beneficial Interest in the STS Trust.

26. Plaintiff Edward Doerr is a resident of Alaska. Mr. Doerr is the manager and beneficiary of the Edward Doerr Managing Agency, which holds a Certificate of Beneficial Interest in the STS Trust.

27. Plaintiff Henry Doerr IV is a resident of New Zealand. Mr. Doerr is a beneficiary of the Henry Doerr IV Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

28. Plaintiff Katherine D. Doerr is a resident of Minnesota. Ms. Doerr is a beneficiary of the Katherine D. Doerr Revocable Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

29. Plaintiff Mary C. Doerr is a resident of Minnesota. Ms. Doerr is the manager and beneficiary of the Mary C. Doerr Managing Agency, which holds a Certificate of Beneficial Interest in the STS Trust.

30. Plaintiff Robin P. Downs is a resident of Madison, WI. Ms. Downs is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

31. Plaintiff Cathy A. Duus is a resident of California. Ms. Duus is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Ms. Duus is also a final beneficiary of the Robert Elbridge Norris Testamentary Trust (Union Bank), which holds a Certificate of Beneficial Interest in the STS Trust.

32. Plaintiff Mary McLean Evans is a resident of Clinton, NY. Ms. Evans is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

33. Plaintiff Fred Fair is a resident of Taos, NM. Mr. Fair is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

34. Plaintiffs Sandra and Douglas Faulkner are residents of Spokane, WA. The Faulkners are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

35. Plaintiffs Susan A. and Raymond L. Foster, Sr. are residents of Spokane, WA. The Fosters are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

36. Plaintiffs John D. and Kathleen French are residents of Virginia. The Frenches are trustees and beneficiaries of the John D. French Living Trust dtd 3-26-97, which holds a Certificate of Beneficial Interest in the STS Trust.

37. Plaintiff Charles B. Gertmenian is a resident of Berlin, Germany. Mr. Gertmenian is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

38. Plaintiff Sarah Gertmenian is a resident of Laguna Beach, CA. Ms. Gertmenian is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

39. Plaintiff Thomas G. Gertmenian is a resident of Los Angeles, CA. Mr. Gertmenian is a beneficiary and trustee of the Thomas G. Gertmenian Trust holding a Certificate of Beneficial Interest in the STS Trust.

40. Plaintiff Linda Merrill Haas is a resident of Scotts Valley, CA. Ms. Haas is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

41. Plaintiff Susan P. Hansell is a resident of Pennsylvania. Ms. Hansell is a trustee and beneficiary of the Anne Pennock 2012 Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

42. Plaintiff Andrew Hilgartner is a resident of Illinois. Mr. Hilgartner is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

43. Plaintiff Elizabeth Jubert is a resident of Minnesota. Ms. Jubert is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

44. Plaintiff Monte J. Kestell, Jr. is a resident of Spokane, WA. Mr. Kestell is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

45. Plaintiff Robert J. Kestell is a resident of Auburn, WA. Mr. Kestell is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

46. Plaintiff Patricia Larrabure is a resident of Virginia. Ms. Larrabure is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

47. Plaintiffs Sheila M. and Kevin P. Magee are residents of Spokane, WA. The Magees are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

48. Plaintiff Catherine Hilgartner Masucci is a resident of New Jersey. Ms. Masucci is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

49. Plaintiff Deirdre A. McCarthy is a resident of Duluth, MN. Ms. McCarthy is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

50. Plaintiff, John McCarthy is a resident of Sturgeon, WI. Mr. McCarthy is a beneficiary holding a Certificate of Beneficiary Interest in the STS Trust.

51. Plaintiff Patrick McCarthy is a resident of Duluth, MN. Mr. McCarthy is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

52. Plaintiff Timothy S. McCarthy is a resident of Oconomowoc, WI. Mr. McCarthy is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

53. Plaintiff Janet G. McFarlane is a resident of Denver, CO. Ms. McFarlane is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

54. Plaintiff Thomas P. and Laurie McGrath are residences of Poplar, WI. The McGraths are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

55. Plaintiff Jamie McGrath-Marx is a resident of Eureka, CA. Ms. McGrath-Marx is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

56. Plaintiff David W. McLean is a resident of Minnesota. Mr. McLean is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

57. Plaintiff Laura T. McLean is a resident of Duluth, MN. Ms. McLean is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

58. Plaintiff Lisa F. McLean is a resident of Minnesota. Ms. McLean is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

59. Plaintiff Nancy McLean is a resident of Minnesota. Ms. McLean is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

60. Plaintiffs Robert C. and Kathryn F. Mesaros are residents of Vermont. The Mesaroses are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust.

61. Plaintiff John K. Meyer is a resident of Bexar County, TX. Mr. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Mr. Meyer assigned some of his shares to his grandchildren who are as follows: Plaintiff Kristen E. Meyer is a resident of Harris County, TX. Ms. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Plaintiff Helen Aubrey Meyer is a resident of Bexar County, TX. Ms. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Plaintiff Theodore F. Meyer, V is a resident of Bexar County, TX. Mr. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

62. Plaintiff John Meyer, Jr. is a resident of Bexar County, TX. Mr. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

63. Plaintiff Theodore Meyer is a resident of Bexar County, TX. Mr. Meyer is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

64. Plaintiff Mary C. Miller is a resident of Minneapolis, MN. Ms. Miller is a beneficiary holding a Certificate of Beneficiary Interest in the STS Trust.

65. Plaintiff Julia P. Mombello is a resident of Westport, CT. Ms. Mombello is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

66. Plaintiff Jeannette M. Muirhead is a resident of California. Ms. Muirhead is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

67. Plaintiff Gwen S. Myers is a resident of Minnetonka, MN. Ms. Myers is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

68. Plaintiff Caroline P. Myhre is a resident of Montana. Plaintiff Myhre is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

69. Plaintiff Marcia Lee Nelson is a resident of California. Plaintiff Nelson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

70. Plaintiffs Shannon and James Nelson, are residents of Spokane, WA. The Nelsons are beneficiaries holding a Certificate of Beneficiary Interest in the STS Trust.

71. Plaintiff Roland C. Nickerson is a resident of Hailey, ID. Mr. Nickerson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

72. Plaintiffs Roger B. and Sally Noyes are residents of Cottonwood, AZ. The Noyes are beneficiaries and trustees of the Roger B/Henrietta P Noyes Revocable Living Trust holding a Certificate of Beneficial Interest in the STS Trust.

73. Plaintiff Anne Pennock is a resident of Pennsylvania. Ms. Pennock is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

74. Plaintiff Charles F. Pierson, Jr. is a resident of Montana. Mr. Pierson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Mr. Pierson is also a beneficiary of the HC Piper Trust U/A Charles Pierson Jr., the Louise G. Piper Trust FBO for Charles F Pierson Jr., and the Harry C. Piper Trust FBO Charles F Pierson Jr., all of which hold Certificates of Beneficial Interest in the STS Trust.

75. Plaintiff David Pierson is a resident of Minnesota. Mr. Pierson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

76. Plaintiff James Pierson is a resident of Oregon. Mr. Pierson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

77. Plaintiff John Pierson is a resident of Denver, CO. Mr. Pierson is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

78. Plaintiff Addison Piper is a resident of Minnesota. Plaintiff Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Plaintiff Piper is also the beneficiary of the H.C. Piper Trust FBO Addison L. Piper and the Louise G. Piper Trust FBO Addison L. Piper, both of which hold Certificates of Beneficial Interest in the STS Trust.

79. Plaintiff Andrew P. Piper is a resident of Oregon. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

80. Plaintiff Ann Piper is a resident of California. Ms. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

81. Plaintiff George F. Piper is a resident of Minnesota. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

82. Plaintiff Harry C. Piper III is a resident of Oregon. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Mr. Piper is also the beneficiary of the H.C. Piper Trust FBO Harry C. Piper III and the Louise G. Piper Trust FBO Harry C. Piper III, both of which hold Certificates of Beneficial Interest in the STS Trust.

83. Plaintiff James T. Piper is a resident of California. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

84. Plaintiff John Carter Piper is a resident of California. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Mr. Piper is also a co-trustee of the MCP Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

85. Plaintiff John Q. Piper is a resident of Virginia. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

86. Plaintiff Karen B. Piper is a resident of Roslindale, MA. Ms. Piper is a beneficiary and trustee of the Karen Odessa Piper 2012 Revocable Trust holding a Certificate of Beneficial Interest in the STS Trust.

87. Plaintiff Kathleen P. Piper is a resident of Barneveld, WI. Ms. Piper is a beneficiary and Robin Downs is the trustee of the Kathleen Page Piper Revocable Living Trust holding a Certificate of Beneficial Interest in the STS Trust.

88. Plaintiff Matthew B. Piper is a resident of California. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

89. Plaintiff Timothy T. Piper is a resident of Newburyport, MA. Mr. Piper is a beneficiary and trustee (along with Carol A. Piper, trustee) of the Timothy T. Piper Living Trust holding a Certificate of Beneficial Interest in the STS Trust.

90. Plaintiff Vincent G. Pardo Piper is a resident of California. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

91. Plaintiff William Piper is a resident of California. Mr. Piper is the trustee of the William Piper Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

92. Plaintiff William G. Piper is a resident of California. Mr. Piper is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

93. Plaintiff Elizabeth Piper-Forman is a resident of California. Ms. Piper-Forman is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust. Ms. Piper-Forman is also a co-trustee of the MCP Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

94. Plaintiff Geraldine A. Rasmussen is a resident of Woodbury, MN. Ms. Rasmussen is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

95. Plaintiff Richard Richard, Sr. is a resident of Spokane, WA. Mr. Richard is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

96. Plaintiff Richard M. Rogers is a resident of Imperial Beach, CA. Mr. Rogers is a beneficiary and trustee of the Carl E. Rogers Trust holding a Certificate of Beneficial Interest in the STS Trust.

97. Plaintiff Donald B. Salisbury is a resident of Menomonie, WI. Mr. Salisbury is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

98. Plaintiff Mary M. Schwartz is a resident of Montana. Ms. Schwartz is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

99. Plaintiff Marjorie N. Skiff is a resident of South Burlington, VT. Ms. Skiff is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

100. Plaintiff Susan G. Snow Trust is a resident of Sebastopol, CA. Ms. Snow is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

101. Plaintiff Elizabeth Warner Verkade is a resident of California. Ms. Verkade is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

102. Plaintiff Julia Mary Walker is a resident of California. Ms. Walker is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

103. Plaintiff Barbara Warner is a resident of Minnesota. Ms. Warner is the trustee for the Thomas L. Warner Irrevocable Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

104. Plaintiff Bonnie Warner is a resident of Nevada. Ms. Warner is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

105. Plaintiff Ellsworth A. Warner, Jr. is a resident of California. Mr. Warner is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

106. Plaintiffs H. T. and S. S. Warner are residents of Minnesota. The Warners are beneficiaries holding a Certificate of Beneficial Interest in the STS Trust. The Warners are also beneficiaries of the Sally S. Warner Trust U/A 2/12/1997, which holds a Certificate of Beneficial Interest in the STS Trust.

107. Plaintiff M. A. Warner Jr. is a resident of Minnesota. Mr. Warner is a beneficiary and a trustee of the M. A. Warner Jr. Revocable Trust, which holds a Certificate of Beneficial Interest in the STS Trust.

108. Plaintiff Ted E. Warner is a resident of Minnesota. Mr. Warner is co-trustee of the Katherine B. Warner Trust and the H. David Warner Trust, both of which hold Certificates of Beneficial Interest in the STS Trust.

109. Plaintiff Thomas Livingston Warner is a resident of Minnesota. Mr. Warner is a beneficiary holding three Certificates of Beneficial Interest in the STS Trust. Mr. Warner is also the Special Trustee for the Thomas L. Warner Irrevocable Trust, co-trustee of the Katherine B. Warner Trust, and co-trustee of the H. David Warner Trust, all of which hold Certificates of Beneficial Interest in the STS Trust.

110. Plaintiff William Piper Warner, Jr. is a resident of Fort Worth, TX. Mr. Warner is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

111. Plaintiff Dixie Webb is a resident of Alberta, Canada. Ms. Webb is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

112. Plaintiff William B. Whiting is a resident of Contoocook, NH. Mr. Whiting is a beneficiary and trustee of the Jean W. Whiting Family Trust holding a Certificate of Beneficial Interest in the STS Trust.

113. Plaintiff Sarah Warner Whittington, is a resident of Carrollton, TX. Ms. Whittington is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

114. Plaintiff Louise Windsor is a resident of Naples, FL. Ms. Windsor is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

115. Plaintiff Dwight D. Sholes is a resident of Bowdoinham, ME. Mr. Sholes is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

116. Plaintiff Harry Aldrich is a resident of Portland, OR. Mr. Aldrich is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

117. Plaintiff Mary Bly is a resident of New York, NY. Ms. Bly is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

118. Plaintiff Kevin Clarke is a resident of Pendleton, ID. Mr. Clarke is a beneficiary holding a Certificate of Beneficial Interest in the STS Trust.

119. Plaintiffs listed above bring this Action. The Texas Trust Code details the rights of trust beneficiaries with regard to trust litigation. Any interested person may bring an action under Section 115.001 of this the Texas Trust Act. *See* Tex. Prop. Code Ann. § 115.011; *see also* Tex. Prop. Code §§ 111.006, 111.004(16) and 114.008; Tex. Civ. St. Art. 7425b-24. Derivative claims are not necessary in this action. Additionally, under Texas law, a beneficiary of a trust may intervene and contest the right of the plaintiff to recover in an action against the trustee as representative of the trust for a tort committed in the course of the trustee's administration or on a contract executed by the trustee. *See, e.g.*, Tex. Prop. Code Ann. § 115.011(d).

120. Plaintiffs seek recovery of all damages caused by Defendant to the STS Trust by the actions described in this Amended Petition. These damages will be paid to the STS Trust and shared pro rata with each beneficiary of the STS Trust (the "STS beneficiaries") according to their percentage ownership of the Trust. Plaintiffs anticipate that their efforts will result in the creation of a common fund that benefits all STS beneficiaries, including those beneficiaries that are not named plaintiffs in this action. Texas law recognizes the equitable "common fund" doctrine. *See, e.g.*, 48 Tex. Prac., Tex. Lawyer & Jud. Ethics § 1:16 (2013 ed.).

121. Plaintiffs have at all times in this matter been in compliance with Texas Rule of Civil Procedure 39. The names and contact information of the STS beneficiaries are known to Defendant. The Defendant has provided all STS beneficiaries with monthly updates regarding developments in this action. The Court has provided notice to these beneficiaries on multiple occasions. Defendant has moved on multiple occasions to have all STS beneficiaries declared

“necessary” parties to this Action. J.P. Morgan has moved on multiple occasions under Texas Rule of Civil Procedure 39. Under the relevant substantive Texas trust law, beneficiaries are necessary parties only when the action is predicated on the act or obligation of a beneficiary. *See* TEXAS TRUST ACT, Art. 7425b-24 (1943) (“If the action is predicated upon any act or obligation of any beneficiary, such beneficiary shall be a necessary party to the proceedings”). On numerous occasions, the Court has exercised its discretion to delay the addition of certain STS beneficiaries to this action—beneficiaries who have been given notice, but have not decided to opt into this litigation. Decisions by this Court with regard to necessary parties have been within its discretion and clearly supported by Texas Law. *See, e.g., State Office of Risk Mgmt. v. Herrera*, 288 S.W.3d 543, 549 (Tex. App.—Amarillo 2009, no pet.) (“Rule of Civil Procedure 39 provides a pragmatic rather than mechanical approach to dealing with a defect in parties.”); *see also Ernst v. Banker’s Servs. Group, Inc.*, 05-98-00496-CV, 2001 WL 1256524, *2 (Tex. App.—Dallas Oct. 22, 2001, pet. denied); *Cullum v. Texas Commerce Bank Dallas, Nat. Ass’n*, 05-91-01211-CV, 1992 WL 297338, *2 (Tex. App.—Dallas Oct. 14, 1992, writ denied).

II.

DISCOVERY CONTROL LEVEL

122. This action is being conducted in accordance with a docket control order pursuant to discovery control Level 3, as provided by TEX. R. CIV. P. 190.4.

III.

JURISDICTION AND VENUE

123. The STS Trust was created under the Texas Trust Act of 1943. The current Texas Trust Code applies to the STS Trust through the Texas Trust Code Applicability section, which limits the Trust Code’s application to certain enumerated “transactions” after the effective date

of the Texas Trust Code (January 1, 1984). Tex. Prop. Code §§ 111.006 and 111.004(16); Tex. Civ. St. Art. 7425b-1 *et seq.*, Texas Trust Act. This Court has jurisdiction over this matter pursuant to Texas Property Code § 115.001, Tex. Prop. Code §§ 111.006, and Tex. Civ. St. Art. 7425b-24.

124. Jurisdiction is proper because the damages sought are within the jurisdictional limits of this Court.

125. Pursuant to Texas Property Code § 115.002, venue is proper in Bexar County, Texas, as the situs of the administration of the STS Trust is in this county. Venue is also proper in Bexar County, Texas, under Tex. Civ. Prac. & Rem. Code § 15.002. Specifically, a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in Bexar County, Texas.

IV.

FACTUAL BACKGROUND

The STS Trust

126. This case involves defendant J.P. Morgan's blatant mishandling of an incredibly rare and valuable 132,000-acre mineral trust in the heart of the South Texas oil patch, the STS Trust.

127. The sole asset of the STS Trust is the undivided interest to mineral rights in 132,000 contiguous acres in La Salle and McMullen Counties, Texas. The ownership dates back to the purchase of the Washburn Ranch in 1906 by six friends from the Washburn, Piper, Warner and Douglas families. Over the course of the last century, the mineral interests have spread to approximately 285 STS beneficiaries, the vast majority of whom are descendants of the original

owners. Most beneficiaries treasure their STS interest as a “family legacy asset.” Over the past century, they have incurred substantial holding costs to preserve the asset.

128. One of the most unique and valuable aspects of the STS Trust is that there is a single point of control over the undivided interest to mineral rights to 132,000 contiguous acres in La Salle and McMullen Counties, dating to a 1906 title. These massive and unified mineral rights are one of a very limited number of “gem assets” in the Eagle Ford shale play.

129. Notably, defendant J.P. Morgan was not selected by the STS beneficiaries to act as Trustee. Rather, the Alamo National Bank became the first commercial trustee of the STS Trust in 1951. As the financial industry consolidated through successive bank mergers and consolidations, J.P. Morgan became the successor trustee of the STS Trust in 2001.

130. Pursuant to a July 2013 order of Judge Nellermeoe, 73rd Judicial District Court of Bexar County, Texas, J.P. Morgan was ordered to resign as trustee and transition the STS Trust to a successor trustee.

J.P. MORGAN’S VARIOUS BREACHES AND VIOLATIONS

131. During J.P. Morgan’s tenure as Trustee, it repeatedly breached its duties to the STS beneficiaries. It did this by, *inter alia*: (1) leasing out all available acreage (approximately 80,000 acres) to one of its commercial clients, Petrohawk, for exceedingly low bonus compensation; (2) failing to procure leases with adequate terms and development requirements; and (3) failing to obtain releases of acreage subject to terminated leases held by certain other J.P. Morgan commercial clients, allowing these commercial clients to “flip” the STS acreage for exorbitant profits.

The 2008 Petrohawk Leases and J.P. Morgan's Improper Conduct

132. Mineral lease negotiations between oil producers and mineral owners involve opposing interests and need to be careful, deliberate and somewhat adversarial. This is particularly true where the acreage is large and potentially valuable. Here, in contrast, the facts show a close and collaborative relationship between J.P. Morgan and a well-known shale player, Petrohawk. Specifically:

- J.P. Morgan's trust department was approached in March of 2008 by a J.P. Morgan commercial client, Petrohawk. J.P. Morgan was informed that Petrohawk wanted all the available STS acreage (approximately 79,524.77 acres).

- At the time of the contact, Petrohawk was employing a "stealth" land acquisition strategy, relying on a small Corpus Christi entity (First Rock) to act as lessee for acquisition of Eagle Ford acreage. Public statements from Petrohawk acknowledged that the price would have increased exponentially if others were made aware of their acquisition strategy in the Eagle Ford.

- Although Petrohawk had been secretly using First Rock to acquire acreage from other mineral owners in the Eagle Ford, it openly approached its commercial partner, J.P. Morgan, and stated that it had \$900 million to spend on a new development in South Texas. Petrohawk employees have testified that they could "trust" J.P. Morgan to keep the Petrohawk transactions "confidential."

- The commercial relationship between J.P. Morgan and Petrohawk was substantial. During the time that J.P. Morgan and Petrohawk negotiated and signed leases on the entire 80,000 acres of available STS acreage, J.P. Morgan was a member of a banking consortium providing Petrohawk with a line of credit ranging between \$1.1 billion and \$1.5 billion.

- J.P. Morgan leased all available STS acreage to Petrohawk with imprudent speed, such that all of the 80,000 available STS acres was leased out to Petrohawk between May and December of 2008.

- J.P. Morgan did not undertake due diligence to determine whether the STS Trust acreage contained valuable minerals before completing the Petrohawk leases.

- Even after Petrohawk publically announced that it had drilled a lucrative well on the STS acreage in October 2008, J.P. Morgan blithely continued leasing out nearly 40,000 additional acres to Petrohawk on similar (and even worse) terms as the earlier acreage.

- J.P. Morgan failed to seek out competitive bidding on the remaining STS acreage after the Petrohawk well was announced.

- J.P. Morgan intentionally concealed Petrohawk’s involvement in the STS leasing process from not only potential competitors, but also from the STS beneficiaries and the geologist working for the STS Trust.

133. The per-acre bonus amounts received by J.P. Morgan on the nearly 80,000 acres of Petrohawk leases were far lower than the amounts that should have been received if J.P. Morgan had encouraged market competition and exercised proper restraint by leasing the acreage out over a longer period of time (as it obtained more information about the value of the minerals).

134. J.P. Morgan’s improper and imprudent leasing resulted in bonus amounts ranging between \$150-\$200 per acre in 2008. Comparable acreage was valued at approximately \$10,000 per acre by 2010, and this specific acreage was valued at approximately \$12,000 per acre by 2011.

135. The substantial damage caused by J.P. Morgan’s improper and imprudent leases to Petrohawk is not theoretical—it is empirical. By way of comparison, the Harrison Ranch contains 100,000 contiguous Eagle Ford acres in Dimmit County, about 30 miles west of the STS Trust. Like the STS Trust acreage, the Harrison Ranch is subject to a single point of control. The contrast, however, between how the two similar acreages were leased is startling.

136. J.P. Morgan allowed a single overworked mineral manager, Ms. Patty Ormond, to decide the timing and terms of all the Petrohawk leases with no meaningful supervision or management approval process. Thus, the J.P. Morgan “negotiation” was a blind rush to lease everything to a commercial client with virtually no adversary or competitive process. J.P. Morgan’s leases to Petrohawk resulted in bonus compensation to the STS Trust of approximately \$14.9 million for 79,524.77 acres (an average of \$188.40 per acre).

137. The Harrison Ranch, in contrast, used a team of professionals and a lengthy, deliberate and adversarial negotiating process, which included competitive bidding. Accordingly, a public excerpt from the June 3, 2010 issue of *A & D Transaction* states that the Harrison Ranch ownership received \$1 billion – in bonus payments alone – for approximately 100,000 acres in June of 2010 (\$10,000 per acre). Significantly, the production from the typical Harrison Ranch wells pales in comparison to the typical production profile from the wells on STS acreage.

138. The stark difference between \$1 billion received for the Harrison Ranch and the \$14.9 million received for the superior STS acreage is illustrative of either willful bad faith or gross negligence on the part of J.P. Morgan.

139. J.P. Morgan further violated its duties to Plaintiffs by failing to obtain reasonable development provisions in the Petrohawk leases. As such, Petrohawk was allowed to hold the 80,000 acres of STS mineral interests while drilling very few wells each year. This means that the net present value of the STS mineral interests are significantly lower than otherwise, since the production of oil and gas will extend out into the distant future.

140. Since the 2008 Petrohawk leases were executed, only 26 wells have been completed on the STS Petrohawk acreage. In contrast, the Harrison Ranch leases were signed two years later in 2010, and 150 wells have been completed.

141. Likewise, the number of wells completed on other Eagle Ford acreage near STS greatly exceeds the number and density of wells on the STS acreage.

142. Accordingly, not only did the beneficiaries lose hundreds of millions in net present value royalty income, but Petrohawk gained a massive 80,000-acre asset with very few obligations.

143. J.P. Morgan's breaches of duty regarding the Petrohawk leasing process resulted in an enormous amount of the asset value being transferred from the STS beneficiaries to Petrohawk. Specifically, after acquiring the 80,000 acres of STS mineral interests, Petrohawk sold itself to BHP Billiton for \$15.1 billion in July of 2011. The undeveloped STS acreage was valued at \$12,125 per acre in that sale, or approximately \$970 million.

144. J.P. Morgan's intentional or negligent mishandling of the Petrohawk leases took nearly a billion in value from the STS beneficiaries and effectively handed it to Petrohawk (quickly, secretly, and without any competition). The \$14.9 million in bonus compensation received by the STS Trust was about 1.5% of the amount that Petrohawk received approximately two years later.

145. Similarly, the executive officers of Petrohawk received more in "change of control" bonus in the BHP Billiton transaction than the STS beneficiaries received in lease bonus on the leases to Petrohawk.

146. J.P. Morgan used its dual role as trustee and commercial banker to gain advantage for itself to the detriment of the STS Trust in its management of the Petrohawk leases.

147. As a result of J.P. Morgan's improper conduct and breaches of duty with respect to the Petrohawk leases, the STS beneficiaries incurred bonus payment damages of \$238,605,960 and loss of royalty in the amount of approximately \$320 million. Thus, the economic damages incurred from the Petrohawk leases are approximately \$559 million.

The Hunt Leases and J.P. Morgan's Intentional Deception

148. In addition to the Petrohawk dealings, J.P. Morgan engaged in a number of other unfair and imprudent dealings with its commercial clients.

149. In one such instance, J.P. Morgan continually and repeatedly provided assistance to its commercial client, Hunt Oil Company (and the original lessee, Broad Oak), on 10,328 acres of STS acreage covered by four leases. J.P. Morgan took a number of actions designed to ensure that the four STS leases would not lapse and the mineral rights would not return to the STS Trust.

150. Specifically, J.P. Morgan gave away lease term extensions, the right to pool acreage, retained acreage amendments and dramatically decreased drilling obligations.

151. As a result of these favors, and at the expense of the STS beneficiaries, Hunt Oil was able to enrich itself by selling off interests in the STS acreage.

152. In January of 2012, Hunt publically announced that it had divested 35% of its interest in its STS acreage to a Japanese company, Marubeni (as part of a larger sale of Hunt Oil's Eagle Ford holdings).

153. J.P. Morgan had given Hunt Oil lease extensions and amendments on this acreage without getting any reasonable consideration, even after lease bonus prices had escalated to approximately \$10,000 per acre in 2010. Any prudent trustee would have enforced the original leases and had the opportunity to market the relinquished acreage in 2010.

154. The value placed on the mineral interests sold to Marubeni was nearly \$15,000 per acre in the 2012 sale. Thus, the original 10,328 acres of mineral interests had an implied value of approximately \$150 million in 2012.

155. J.P. Morgan had previously given all of this acreage away by granting lease extensions and amendments for no meaningful compensation.

156. After the Marubeni sale was completed in May of 2012, Hunt Oil and/or Marubeni discovered that two of the four Hunt Oil leases would expire on July 25, 2012 and

would revert to the STS Trust. Thus, Hunt Oil went back to J.P. Morgan in July of 2012 and got J.P. Morgan to agree to extend these two leases for 60 days to prevent them from expiring and reverting to the STS Trust. Although Hunt Oil paid \$175,000 for extending one of the expiring leases, it allowed the other lease to actually expire. In August of 2012, however, J.P. Morgan agreed to renew the expired lease for \$3.9 million (\$700 per acre). J.P. Morgan likewise agreed to grant extensions on the remaining two leases (which were not expiring for another year) for no compensation at all.

157. Consequently, J.P. Morgan knew that the Hunt acreage was worth \$15,000 per acre (or \$150 million for all four leases) and it subsequently agreed to accept total compensation of only about \$4.1 million for all four leases.

158. Further, J.P. Morgan went so far as to rebuff other operators so that it could essentially give the acreage away to Hunt (who had already sold much of it). Instead of effectively giving that valuable asset to Hunt, J.P. Morgan should have taken it back for the benefit of the STS Trust.

159. J.P. Morgan effectively gave away a trust asset valued at \$150 million for only \$4.1 million in 2012. At that time, Hunt had already “flipped” part of that asset for a substantial financial gain.

160. Hunt Oil was a substantial commercial client of J.P. Morgan during this time period.

161. H.L. Tomkins took over management of the STS Trust after Ms. Ormond was let go by J.P. Morgan.

162. Hunt Oil wrote Mr. Tompkins and pressured him by referencing Hunt’s commercial relationship with J.P. Morgan.

163. J.P. Morgan was also one of the largest shareholders in the Japanese purchaser of the Hunt Oil STS acreage, Marubeni.

164. At the time J.P. Morgan granted the lease extensions to Hunt Oil, et al., in the summer of 2012, it already knew that Hunt had “flipped” its STS acreage to Marubeni because: (1) the Hunt Oil/Marubeni sale had been publically announced in January of 2012; (2) this transaction was included in the investment banker’s reports submitted to J.P. Morgan at this time; and (3) Marubeni’s name was on the lease assignment later signed by J.P. Morgan.

165. In an effort to keep this a secret and cover up the fact that it had accepted \$4.1 million for an asset it already knew was worth \$150 million, J.P. Morgan prepared a memo in August of 2012 purporting to explain why the paltry amount paid to the STS Trust was a fair price. In other words, even though J.P. Morgan knew that a percentage interest in the acreage had been sold months earlier for nearly \$15,000 an acre (an implied value of \$150 million for the 10,000 acres), it tried to deceive the STS beneficiaries into thinking it had obtained a fair price for the acreage when it granted Hunt Oil the extensions in July and August of 2012 for only \$4.1 million.

166. J.P. Morgan used its dual role as trustee and commercial banker to gain advantage for itself to the detriment of the STS Trust in its management of the Hunt leases.

167. As a result of J.P. Morgan’s improper conduct and breaches of duty with respect to the Hunt leases, the STS beneficiaries incurred bonus payment damages of \$93,353,040 and loss of royalty in the amount of approximately \$74 million. Thus, the economic damages incurred from the Hunt transactions are at least \$167 million.

The Pioneer Acreage and J.P. Morgan's Failure to Disclose

168. Cullen Leases A and B contain approximately 7,954.69 acres each, or about 15,797 acres. Both of these leases were signed approximately 70 years ago, and require reasonable diligence in development.

169. No drilling permits were issued for Cullen Lease A from November 18, 1997 through November 15, 2005, an eight-year period.

170. No drilling permits were issued for Cullen Lease B from November 16, 2005 through December 31, 2012 and no new wells were drilled during this seven-year period.

171. J.P. Morgan should have taken action to return the Pioneer/Cullen acreage to the STS Trust many years earlier, before this acreage became extremely valuable in 2009.

172. J.P. Morgan did not move to obtain the release of the Pioneer/Cullen acreage in a prudent or timely manner.

173. As a result of the failure to develop the Cullen acreage as provided in the leases, approximately 13,927 unearned acres should have been released back to the STS Trust.

174. Pioneer Natural Resources, through assignment, became the Lessee of the Cullen Leases. By 2009, approximately 15,000 acres of STS Trust mineral assets were controlled by Pioneer.

175. Pioneer is a substantial commercial client of J.P. Morgan.

176. J.P. Morgan was also a co-defendant with Pioneer in a similar case where J.P. Morgan had failed to pursue releases of acreage held by Pioneer (the "MOSH Litigation"). In that case, the beneficiaries sued both J.P. Morgan and Pioneer. The beneficiaries in the MOSH Litigation alleged that J.P. Morgan's commercial relationship with Pioneer had caused it to fail to seek release of trust acreage that Pioneer had failed to develop.

177. J.P. Morgan, working in concert with Pioneer as co-defendants, unilaterally entered into a settlement agreement of the MOSH litigation without the knowledge or input of the Plaintiff MOSH beneficiaries for virtually no compensation. Following a week-long evidentiary hearing, the MOSH court rejected J.P. Morgan's efforts and ultimately required that the MOSH beneficiaries receive approximately \$50 million in compensation in a subsequent court-supervised settlement.

178. J.P. Morgan never disclosed its commercial or litigation relationships with Pioneer to the STS beneficiaries. J.P. Morgan likewise never informed the STS beneficiaries that it had been accused of failing to recover acreage from Pioneer based on an improper commercial relationship.

179. The MOSH Litigation settled in April of 2009, and that very same month J.P. Morgan filed a suit against Pioneer alleging that Pioneer had not properly developed the Pioneer/Cullen leases at issue in this case. Even after it entered litigation against Pioneer, J.P. Morgan did not disclose to the STS beneficiaries its commercial or litigation relationships with Pioneer or its settlement of the MOSH Litigation.

180. Pioneer subsequently filed a \$39 million counterclaim against the STS Trust, alleging that the litigation harmed Pioneer's ability to sell a portion of Pioneer's Eagle Ford assets to Reliance Industries, Ltd. as part of a major joint venture agreement Pioneer and Reliance had recently completed to develop Pioneer's Eagle Ford acreage.

181. J.P. Morgan then abandoned its purported efforts to obtain the return of the Cullen/Pioneer acreage for the STS Trust and settled its litigation with Pioneer for no meaningful compensation (as it had unsuccessfully tried to do in the MOSH Litigation).

182. At all times relevant, J.P. Morgan never disclosed anything about the nature of its commercial or litigation relationships with Pioneer to the STS beneficiaries.

183. The STS beneficiaries received nominal value from the Pioneer/Cullen acreage when J.P. Morgan settled the litigation. Pioneer received \$182 million in the sale of this acreage to Reliance.

184. J.P. Morgan also had substantial commercial relationships with Reliance, but failed to disclose these relationships to the STS beneficiaries.

185. J.P. Morgan used its dual role as trustee and commercial banker to gain advantage for itself to the detriment of the STS Trust in its management of the Cullen/Pioneer leases.

186. As a result of J.P. Morgan's improper conduct and breaches of duty with respect to the Pioneer/Cullen leases, the STS beneficiaries incurred bonus payment damages of \$86,343,000 and loss of royalty in the amount of approximately \$110 million. Thus, the economic damages incurred from the loss of the Pioneer/Cullen leases are at least \$196 million.

J.P. Morgan's Commercial Clients Received Nearly All of the Value of the STS Asset

187. J.P. Morgan subordinated the interests of the STS beneficiaries to its own interests and those of its commercial clients.

188. The STS Trust received payments totaling \$32,490,000 for all of the STS acreage (inclusive of bonus, delay rentals and all other compensation). J.P. Morgan's commercial clients (e.g., Petrohawk, Hunt Oil and Pioneer), in contrast, benefitted some \$1,302,000,000 by getting the rights to this same acreage.

189. The STS beneficiaries received approximately 2.43% of the value of their STS asset, and J.P. Morgan's commercial clients received 97.57% of the value.

J.P. Morgan Failed to Devote Adequate Time or Resources To The STS Trust

190. J.P. Morgan did not manage the STS asset commensurate with an understanding that it had a fiduciary duty for the development and caretaking of a “gem asset.”

191. J.P. Morgan considered closing down the STS Trust in 2005 because “it wasn’t making enough money.”

192. Responsibility for the STS Trust mineral interests during 2008-2009 was given to a lone mineral manager, Ms. Patty Ormond.

193. STS was not Ms. Ormond’s only responsibility as she was required to simultaneously manage 140 other oil and gas trusts. Given the management-intensive nature of the STS “gem asset,” it was impossible for Ms. Ormond to find the time or resources necessary to properly manage the STS mineral estate.

194. Both Ms. Ormond and H.L. Tompkins, who took over for Ms. Ormond in managing the mineral interest, have repeatedly complained to J.P. Morgan that they did not have the resources and level of personnel necessary to permit them to properly and prudently manage their trust accounts.

195. Ms. Ormond further confirmed the lack of resources that J.P. Morgan provided when she told the following to a group of STS beneficiaries:

“They [J.P. Morgan] have seven mineral managers. They have 12,000 accounts. They manage 200,000 assets. How can they manage your asset? How can they – they don’t have the time to pick up the phone and spend two hours on the phone negotiating your lease.”

196. Moreover, Ms. Ormond specifically told her purported negotiating adversary, Petrohawk, that she did not have time to focus on the 2008 STS leases to Petrohawk:

“...I am underwater and do not have the staff I need to address the many leases and drilling initiatives...for which I am responsible. I am trying to get help but am in a position at this point of simply trying to put out fires.”

197. J.P. Morgan did not give the STS asset the focus it required until J.P. Morgan unilaterally decided to sell the STS asset in 2012 and identified an opportunity for its own Trust Department to earn hundreds of millions of dollars in commission fees generated by the sale transaction.

198. J.P. Morgan’s remarkable appetite for profit even caused it to consider serving as the investment bank to lead the STS divestiture.

199. J.P. Morgan’s disregard for the interests of the STS beneficiaries when compared to its own profits is illustrated by a simple comparison. In 2008, when J.P. Morgan had responsibility for leasing the asset for the STS beneficiaries, it relied exclusively on the efforts of Patty Ormond (with no oversight or analysis of market value). In comparison, a few years later when it decided to sell the sole trust asset in a transaction from which it stood to reap a financial windfall for itself, it hired more than 20 professionals to guide and assist the process and to thoroughly analyze the market value. Equally as damning, J.P. Morgan put the matter out for competitive bidding and created competition among some of the biggest investment banks in the business – a process it failed to follow when the interests of the STS beneficiaries conflicted with the interests of J.P. Morgan’s commercial clients.

200. J.P. Morgan’s breaches of fiduciary duties as described above (and additional breaches to be described at trial) were on top of its failures to have proper mineral management policies and procedures in place to prudently manage the mineral estate held in trust. As a result, substantial damages consisting of lost lease bonus payments and lost lease royalty payments

were suffered by the STS beneficiaries in the amounts set forth above which total at least \$922 million.

V.

**FIRST CAUSE OF ACTION – BREACH OF FIDUCIARY DUTY
AND BREACH OF TRUST**

201. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

202. Defendant's acts and/or omissions constitute a breach fiduciary duty and a breach of Trust to Plaintiffs in the following respects, in that Defendant:

1. Was negligent;
2. Was grossly negligent;
3. Was guilty of mismanagement and mal administration;
4. Failed to place the interest of the Plaintiffs ahead of its own;
5. Engaged in acts of self- dealing;
6. Failed to invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust;
7. Failed to diversify the investments of the trust;
8. Failed to have the proper mineral management policies and procedures in place to prudently manage the mineral estate assets held in trust by:
 - a. Failure to have in place decision making processes inclusive of a concise hierarchy chain of command with established controls to evaluate transaction risk of the asset and personnel resources

possessing the qualification, expertise and time required to maximize the value of the mineral estate.

- b. Failure to timely identify lease violations and non-productive leasehold acreage and pursue Lessor right of reverter or other remedies.
 - c. Failure of mineral management personnel to properly assess market conditions.
 - d. Failure to seek legal and industry expertise prior to encumbering the mineral estate under terms of legally binding documents.
 - e. Failure to conduct production audits.
9. Failed to exercise a reasonable level of skill, care, and caution to fulfill its duty of:
- a. Prudence in administration,
 - b. Loyalty, honesty and fair dealings to the Trust and its beneficiaries, and
 - c. Full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.
10. Acted in an imprudent manner as it undertook and concluded the negotiation of unfavorable mineral leases of the Trust's principal asset, being the mineral estate and water rights in the 132,000 acres:
- a. Without doing reasonable and prudent levels of due diligence;
 - b. Without obtaining market rate lease terms and compensation;

- c. Without maximizing the Trust's benefits and interests in the mineral estate and water rights; and
- d. Without keeping the Trust beneficiaries adequately informed to allow them to monitor and protect their interests.

11. Improperly administered the Trust by:

- a. Interpreting the 1951 court order in a self-serving manner that improperly benefited J.P. Morgan to the detriment of the Trust;
- b. Failing to disclose and avoid conflicts of interest between its corporate interests and its obligations as Trustee to the detriment of the Trust and its beneficiaries; and
- c. Failing to timely tender its resignation as Trustee causing harm to the Trust.

203. The Defendants are liable to the Plaintiffs for all of the damages resulting from these breaches of trust and fiduciary duties.

VI.

SECOND CAUSE OF ACTION – FRAUD

204. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

205. In addition to or in the alternative, and without waiving the foregoing, the acts and omissions of the Defendant referenced above constitute fraud, which proximately caused damage to Plaintiffs, which damages Plaintiffs should recover and seek to recover from the Defendant. These representations and actions were made knowingly, falsely, and with the intent that Plaintiffs would rely on each of them. Plaintiffs did, in fact, rely on Defendant's fraudulent acts and/or omissions.

206. Plaintiffs are also entitled to recover and seek to recover punitive damages from J.P. Morgan, taking into account the net worth of J.P. Morgan.

VII.

THIRD CAUSE OF ACTION – FRAUD BY NONDISCLOSURE

207. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

208. Defendant concealed from Plaintiffs, or failed to disclose to Plaintiffs, facts related to Defendant's management of STS Trust assets.

209. Defendant had the duty to disclose the facts to Plaintiffs because of special and/or fiduciary relationships.

210. The non-disclosed facts were material in that they would have been important to Plaintiffs in the making of certain decisions related to Defendant and the management of STS Trust assets. Additionally, any reasonable person would have attached importance to the non-disclosed facts.

211. Defendant knew Plaintiffs were not aware of facts that Defendant had a duty to disclose.

212. Defendant knew Plaintiffs did not have equal opportunity to discover the facts.

213. Defendant was deliberately silent when it had a duty to speak.

214. By failing to disclose the facts, Defendant intended to induce Plaintiffs to continue to allow Defendant to administer and manage STS Trust assets.

215. Plaintiffs relied on Defendant's nondisclosure.

216. As a proximate cause of the foregoing, Plaintiffs have been injured in an actual amount to be proven at trial and should be awarded actual, exemplary, consequential and incidental damages from Defendant, in accordance with the evidence.

VIII.

FOURTH CAUSE OF ACTION – NEGLIGENT MISREPRESENTATION

217. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

218. In addition to or in the alternative and without waiving the foregoing, the acts and omissions of the Defendant referenced above constitute negligent misrepresentation, which proximately caused damage to Plaintiffs, which damages Plaintiffs should recover and seek to recover from the Defendant.

219. As a proximate cause of the foregoing, Plaintiffs have been injured in an actual amount to be proven at trial and should be awarded actual, exemplary, consequential and incidental damages from Defendant, in accordance with the evidence.

IX.

FIFTH CAUSE OF ACTION – FORFEITURE OF FEES FOR BREACHES OF DUTY, NEGLIGENCE AND INCOMPETENCE

220. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

221. Plaintiffs further seek forfeiture and return of some or all of the Trustee fees paid or incurred to the fullest extent allowed by Texas Property Code § 114.061(b), Tex. Civ. St. Art. 7425b-1 *et seq.* of the Texas Trust Act, and applicable Texas law.

X.

SIXTH CAUSE OF ACTION – ATTORNEYS' FEES

222. Plaintiffs repeat, re-allege and incorporate each and every prior factual allegation in the preceding paragraphs as if fully set forth herein.

223. As a result of Defendant's wrongful acts and omissions, Plaintiffs retained the undersigned attorneys to represent them and agreed to pay their reasonable and necessary attorneys' fees, expenses, and costs. Plaintiffs seek recovery of their reasonable and necessary attorneys' fees, expenses, and costs through trial and all appeals, as well as recovery of any attorneys' fees and costs charged to the STS Trust by J.P. Morgan, under applicable Texas law, including but not limited to, the Texas Trust Act, the Texas Trust Code, and as otherwise authorized by law.

XI.

ADDITIONAL ALLEGATIONS CONCERNING CAUSES OF ACTION

224. The causes of action asserted by Plaintiffs against Defendant herein are timely filed as the discovery rule deferred accrual of the respective statutes of limitations for such causes of action. Plaintiffs' damages resulting from Defendant's misconduct alleged herein were inherently undiscoverable and objectively verifiable. Plaintiffs did not discover the injuries caused by the wrongful acts of Defendant alleged herein until no earlier than a time within the applicable statutes of limitations.

225. The causes of action asserted by Plaintiffs against Defendant are timely filed as Defendant fraudulently concealed the wrongful conduct alleged herein, thereby tolling the applicable statutes of limitations. Defendant had actual knowledge of the wrongful conduct alleged herein. Defendant concealed the wrongful acts and omissions alleged herein by remaining silent and/or making misrepresentations about wrongful conduct despite having a duty to inform Plaintiffs of such wrongful acts and omissions. Defendant's silence and misrepresentations prevented Plaintiffs from discovering Defendant's wrongful acts and

omissions. Defendant had a fixed purpose to conceal the wrongful conduct. Plaintiffs reasonably relied on Defendant's silence and misrepresentations to the detriment of Plaintiffs.

226. The causes of action asserted by Plaintiffs against Defendant are timely filed pursuant to the Continuing Tort Doctrine as the Defendant's wrongful conduct was repeated for a period of time and continued until at least the filing of this action.

XII.

DAMAGES

227. As a result of the acts and/or omission alleged above Plaintiffs have suffered economic injuries in that the income that Plaintiffs that they were entitled to was impaired and reduced.

228. As a result of the actions by Defendant described herein, Plaintiffs have suffered damages and these damages include, but are not limited to, damages sustained in the past, damages that in reasonable probability will be sustained in the future, reduced distributions, and exemplary damages. Plaintiffs' damages further include, but are not limited to, loss of past and future bonus payments, rental payments, royalty payments, and other payments to which Plaintiffs were reasonably entitled, attorneys' fees and expenses J.P. Morgan has charged to the Trust, including the attorneys' fees and expenses incurred by Defendant in this action, and attorneys' fees and expenses incurred by Plaintiffs in prosecuting this action. Plaintiffs further seek recovery of pre-judgment and post-judgment interest under the common law and applicable statutes.

229. The acts described herein were done in bad faith and with an improper motive.

230. The conduct of Defendant was a willful breach of trust and breach of fiduciary duty. The conduct of the Defendant alleged herein represents a reckless indifference to the right

and financial interest of the Plaintiffs. The acts and/or omissions constitute malice or gross negligence. J.P. Morgan authorized or subsequently approved its agent's malice or gross negligence, or acted with malice or gross negligence through a vice principal.

231. As a result of the conduct identified above, Plaintiffs have suffered economic injury in that Plaintiffs' beneficial interests and the income Plaintiffs were entitled to therefrom were impaired and reduced by: (1) the Trustee's failure to adequately evaluate, value and manage the Trust property and maximize the value of the Trust property for the beneficiaries; (2) the Trustee's failure to negotiate market-rate lease terms for trust assets; (3) the Trustee's failure to act competently on the beneficiaries' behalf in legal matters related to the Trust; and (4) the Trustee's failure to provide information as properly requested by beneficiaries.

232. As a proximate cause of the foregoing or said damages resulting from the resulting from the foregoing, Plaintiffs have been injured in an actual amount to be proven at trial and should be awarded actual, exemplary, consequential and incidental damages in accordance with the evidence, plus attorneys' fees, expenses, and costs.

233. These damages are at least \$1.026 billion, to include, but not to be limited to, bonus damages of at least \$418.3 million, royalty damages of at least \$504 million, interest estimated to be at least \$68 million, Plaintiffs' attorneys' fees estimated to be at least \$20.5 million, Trustee attorneys' fees estimated to be at least \$10 million, damages for uncompensated water usage of at least \$3.5 million, forfeiture of trustee fees in excess of \$2.5 million and exemplary damages in an amount to be determined at trial.

XIII.

CONDITIONS PRECEDENT

234. Plaintiffs have fulfilled all conditions precedent for recovery on these claims.

XIV.

DEMAND FOR JURY TRIAL

235. Plaintiffs hereby demand a trial by jury.

XV.

GENERAL DENIAL

236. Pursuant to Rule 92 of the Texas Rules of Civil Procedure, Plaintiffs/Counter-Petition Defendants deny each and every, all and singular, the material allegations in Defendant's/Counter-Petition Plaintiffs' Counter-Petition for Declaratory Relief and Instructions from the Court, and demand strict proof thereof by a preponderance of the evidence.

XVI.

PRODUCTION OF DOCUMENTS

237. Plaintiffs hereby place Defendant on notice that Plaintiffs intend to use any document produced by Defendant in any pretrial proceeding or at trial.

XVII.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs request that on final hearing Plaintiffs have judgment against Defendant, for:

- a. Actual damages;
- b. Consequential and incidental damages;
- c. Disgorgement of all compensation, fees, and expenses paid by the STS Trust to Defendant and to third-parties at the direction of Defendant;
- d. Pre- and post-judgment interest at the highest legal rate allowed by law;
- e. All attorneys' fees, expenses, and costs in pursuing this matter;
- f. Exemplary or punitive damages in an amount to be determined at trial;

- g. An order prohibiting Defendant from using Trust assets, property, or revenue, to pay attorneys' fees, expenses, and costs in defending this action and any other actions brought by other beneficiaries;
- h. Such other and further relief to which Plaintiffs may show themselves to be justly entitled; and
- i. Such other, further, and different damages as allowed in accordance with the evidence and applicable law.

Plaintiffs further request all relief sought in J.P. Morgan's Defendants/Counter-Petition for Declaratory Relief and Instructions from the Court be denied.

DATE: February 26, 2014.

Respectfully submitted,

CLEMENS & SPENCER, P.C.

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State Bar No. 18921001
112 E. Pecan St., Suite 1300
San Antonio, Texas 78205
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**DROUGHT DROUGHT & BOBBITT,
LLP**

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TINSMAN & SCIANO, INC.

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LOEWINSOHN FLEGLE DEARY, L.L.P.

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JIM L. FLEGLE
State Bar No. 07118600
MICHAEL J. DONLEY
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Dallas, Texas 75251
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**ZELLE HOFMANN VOELBEL & MASON
LLP**

JOHN B. MASSOPUST (pro hac vice)
MATTHEW J. GOLLINGER (pro hac vice)
MICHAEL CHRISTIAN (pro hac vice)
500 Washington Avenue South, Suite 5000
Minneapolis, Minnesota 55415
Telephone: (612) 339-2020
Facsimile: (612) 336-9100

STEVEN J. BADGER
Texas State Bar No. 01499050
901 Main Street, Suite 4000
Dallas, Texas 75202-3975
Telephone: (214) 742-3000
Facsimile: (214) 760-8994

By: /s/ James L. Drought

ATTORNEYS FOR PLAINTIFFS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing instrument has been served on the below listed counsel of record via the method indicated, this 26th day of February, 2014:

Patrick K. Sheehan
David Jed Williams
Rudy Garza
Hornberger Sheehan Fuller
Beiter Wittenberg & Garza Inc.
The Quarry Heights Building
7373 Broadway, Suite 300
San Antonio, TX 78209

Kevin M. Beiter
McGinnis Lochridge
600 Congress Ave, Ste. 2100
Austin, TX 78701

Charles A. Gall
John C. Eichman
Amy S. Bowen
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Dallas, Texas 75202

Fred W. Stumpf
Kelly M. Walne
Boyer Short, PC
Nine Greenway Plaza, Suite 3100
Houston, TX 77046

Mark T. Josephs
Sara Hollan Chelette
Jackson Walker, LLP
901 Main Street, Suite 6000
Dallas, Texas 75202

/s/ James L. Drought



OFFICE OF CIVIL JURY ASSIGNMENT CLERK
BEXAR COUNTY COURTHOUSE--ROOM 422
SAN ANTONIO, TEXAS 78205
(210) 335-2520

February 11, 2014

NOTICE OF JURY TRIAL SETTING

FRED STUMPF
Attorney at Law
1400 POST OAK BLVD 400
HOUSTON, TX

RE: JOHN K MEYER VS. JP MORGAN CHASE BANK N A ET AL
Cause No: 2010-CI-10977

The above-styled and -numbered cause is set for trial **ON THE MERITS** on the 24th day of March, 2014 at 8:30 AM in the 37th District Court. Failure to appear may result in default or dismissal for want of prosecution.

All parties shall deliver Motions in Limine, Motions to Realign Parties or Equalize Peremptory Strikes, and a Proposed Jury Charge to all other parties by Noon on the last business day prior to the above-referenced trial date.

In the event the trial is expected to last ten (10) working days or longer, it is strongly suggested that a Rule 166 Pretrial Motion be heard at least sixty (60) days before the above-referenced setting date.

This cause is also set on the ADR docket on the _____ in the _____ District Court, Bexar County Courthouse. You do not have to appear if an Agreed Order of Referral for Mediation is Provided to the ADR Coordinator three (3) days prior to the setting. Otherwise, failure to appear as noticed may result in court selecting a mediator and allocating mediator fees between the parties.

MICHAEL MERY

JURY MONITORING JUDGE

CC:

DAVID PRICHARD
DAVID WILLIAMS
FRED STUMPF
GEORGE SPENCER
JAMES DROUGHT
JIM FLEGLE
JOHN EICHMAN
JOHN MASSOPUST
MARK JOSEPHS
MARK RANDOLPH

MATTHEW COLLINGER
PATRICK SHEEHAN
RICHARD TINSMAN
RUDY GARZA
STEVEN BADGER

FILED
DONNA KAY MCKINNEY
DISTRICT CLERK
BEXAR COUNTY
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CIVIL JURY ASSIGNMENT CLERK
BEXAR COUNTY COURTHOUSE
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SAN ANTONIO, TEXAS 78205
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BEXAR COUNTY

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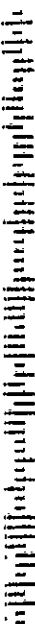
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BEXAR COUNTY
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Special Exceptions in MIT Computer Architecture

NOTE

JUDGE
INITIALS

2/24/2014

Intn to Compel denied. No ruling made regarding the Special Exception.

Record :

CATHY KERNODLE
438th DISTRICT COURT
(210)335-1531

g

**Document
scanned as filed.**

John Eichman
Jim Drought

Kevin Biter
Ted Williams

George Spence
Stephanie Cottle

- recon - Cathy
knowledge

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET. AL	§	IN THE DISTRICT COURT
	§	
	§	
VS.	§	225 TH JUDICIAL DISTRICT
	§	
JP MORGAN CHASE BANK, N.A.	§	
INDIVIDUALLY/CORPORATELY	§	
AND AS TRUSTEE OF THE SOUTH TEXAS	§	
SYNDICATE TRUST and GARY P. AYMES	§	BEXAR COUNTY, TEXAS

**NON-PARTY, FROST NATIONAL BANK'S, OBJECTION
TO DEFINITION AS CUSTOMER UNDER TEXAS FINANCE
CODE § 59.006, AND IN THE ALTERNATIVE, MOTION TO QUASH
SUBPOENA AND DEPOSITION ON WRITTEN QUESTIONS**

NOW COMES FROST NATIONAL BANK, Non-Party in the above entitled and numbered cause, and files this its *Objection to Definition as Customer under TEX. FIN. CODE § 59.006, and in the Alternative Motion to Quash Subpoena and Deposition on Written Questions*, and in support of same would show unto the Court as follows:

I.

BACKGROUND AND BASIS OF OBJECTION

Frost National Bank ("Frost Bank") is not a party to above captioned cause of action and has no direct interest in this litigation. Frost Bank, as trustee of the Stanley A. Morton Trust, was served with a subpoena commanding production of documents containing financial, proprietary, and other confidential/private information regarding the Stanley A. Morton Trust on January 17, 2014. (A true and correct copy of the subpoena is attached hereto as Exhibit 1). At issue is production of documents pertaining to an oil and gas lease contained within the trust file that Frost Bank administers in a fiduciary capacity, and the potential disclosure of private information of Frost Bank's client.

The TEXAS FINANCE CODE § 59.006 provides the exclusive method for obtaining production of bank documents. However, as Trustee of the Stanley A. Morton Trust, Frost Bank does not qualify as a “customer” under the statutory definition set forth in TEX. FIN. CODE § 59.001(4). Therefore, Frost Bank is not required to comply with the statute and cannot be compelled to disclose the documents being sought.

Accordingly, in that Frost Bank does not constitute a “customer” under the statutory language, it has no obligation to disclose such documentation.

II.

MOTION TO QUASH SUBPOENA AND DEPOSITION IN THE ALTERNATIVE

Alternatively, and in an abundance of caution, should this Court determine Frost Bank to be a “customer” under the TEX. FIN. CODE § 59.001(4), Frost seeks that the subpoena and deposition on written questions be quashed.

Frost Bank objects to Requests 1-4 (as seen in Exhibit 1) which require production of documents pertaining to a lease file maintained by Frost Bank in its capacity as trustee. The subpoena seeks production of a copy of the lease, Frost Bank’s file pertaining to the trust lease, letter agreements relating to the trust lease, and documents evidencing financial considerations of the lease. The documents sought unnecessarily seek to invade the privacy rights of Frost Bank’s client, and would potentially have Frost Bank breach its fiduciary duty to preserve and protect its clients’ confidential and financial interests.

Frost Bank is not a party to litigation therein. Nor is its client the Stanley Morton Trust. The documents sought contain confidential information which Frost Bank, as a fiduciary, cannot disclose without violating the duty it owes to the trust. The subpoena commanding production of these documents creates a situation in which the trustee would be required to divulge confidential

information relating to private matters of its trust, and thus potentially violate its fiduciary duty to the trust and the trust beneficiary.

Furthermore, Defendant JPMorgan Chase, the party seeking such confidential documents, should be required to attempt to obtain the documents it seeks from a more convenient, less burdensome source before Frost Bank should be compelled to respond to the subpoena. See TEX. R. CIV. P. 194.2 (a). For example, a more convenient and least burdensome source could be to seek the documents from the lessee of the lease in question, or another non-party that is not charged with the same fiduciary duties and responsibilities that Frost Bank is. In other words, Frost Bank is not the only person/company that either has possession of or access to the documents sought; and the party seeking their production should exhaust obtaining them from another source that does not place breaching fiduciary duty or privacy concerns at risk with their production.

Lastly, upon information and belief, Defendant JPMorgan Chase has already obtained copies of the documents it is seeking from Broadway Bank, a prior Trustee of the Stanley A. Morton Trust, thereby making the request cumulative and duplicative. Present possession of the documents being sought should operate to obviate any need for Frost Bank to have to reproduce the same documents, especially given the concerns articulated herein.

Accordingly, Frost Bank seeks that the Court grant its Motion to Quash and protect Frost Bank from having to comply with the subpoena and deposition on written questions.

III.

REQUEST FOR RELIEF

Frost Bank is not constitute a “customer” under TEX. FIN. CODE § 59.001(4), and therefore has no obligation to disclose the documentation being sought under the exclusive

statutory provisions. In the alternative, Frost Bank seeks that the Court grant its Motion to Quash under the provisions of TEX. R. CIV. P. 194.2 (a) in that there are more convenient, less burdensome sources of access to the documents sought that do not jeopardize fiduciary or privacy considerations.

WHEREFORE PREMISES CONSIDERED, Non-Party, FROST NATIONAL BANK, respectfully requests the Court sustain its Objection and find FROST NATIONAL BANK is not a customer as intended by TEX. FIN. CODE CH. § 59.001(4), thus protecting Frost from disclosing the customer information contained within the Stanley A. Morton Trust, and enter an order protecting FROST NATIONAL BANK from having to comply with the subpoena and deposition on written questions. Alternatively, FROST NATIONAL BANK requests this Court grant its Motion to Quash under TEX. R. CIV. P. 194.2 (a) for the above mentioned reasons. FROST NATIONAL BANK also prays for other and further relief, both at law and in equity, to which it may show itself justly entitled.

Respectfully submitted,

PLUNKETT & GRIESENBECK, INC.

1635 N.E. Loop 410, Suite 900

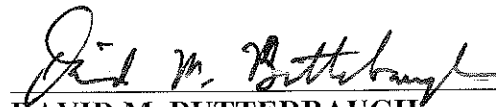
San Antonio, Texas 78209

Telephone: (210) 734-7092

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DAVID M. BUTTERBAUGH

State Bar No. 24055239

BRANDON E. STREY

State Bar No. 24084969

NIK A. MIMARI

State Bar No. 24013169

ATTORNEYS FOR FROST NATIONAL BANK

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing *Objection to Definition as Consumer under Tex. Fin. Code Ch. 59.006 and in the Alternative Motion to Quash Deposition* has been sent by e-mail and certified mail return, receipt requested, to the following counsel of record, on this the 24th day of February, 2014:

Patrick K. Sheehan
Kevin M. Beiter
Rudy A. Garza
David Jed Williams
HORNBERGER SHEEHAN FULLER BEITER
WITTENBERG & GARZA INCORPORATED
7373 Broadway, Suite 300
San Antonio, Texas 78209

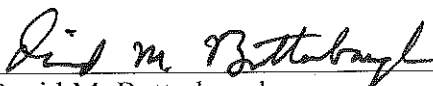
Charles A. Gall
John C. Eighman
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Dallas, Texas 75202

Michael S. Christian
ZELLE HOFMANN VOELBEL & MASON
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David M. Prichard
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San Antonio, Texas 78216

Alan V. Ytterberg
J. Graham Kenney
Ytterberg Deery Knull LLP
3555 Timmons Lane, Suite 1000
Houston, Texas 77027-6495



David M. Butterbaugh

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET. AL.

VS.

JPMORGAN CHASE BANK, N.A.
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST
and GARY P. AYMES

§
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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

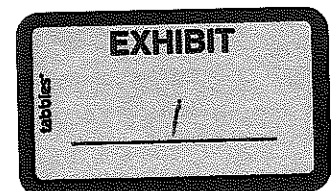
NOTICE OF SUBPOENA OF FROST NATIONAL BANK

TO: Plaintiffs, c/o John B. Massopust, Zelle Hofmann Voelbel & Mason LLP, 500 Washington Avenue South, Suite 4000, Minneapolis, Minnesota 55415; Jim Flegle, Loewinsohn Flegle Deary, L.L.P., 12377 Merit Drive, Suite 900, Dallas, Texas 75251; Richard Tinsman, Tinsman & Sciano, Inc., 10107 McAllister Freeway, San Antonio, Texas 78216; George H. Spencer, Jr., Clemens & Spencer, P.C., 112 East Pecan Street, Suite 1300, San Antonio, Texas 78205; and James L. Drought, Drought, Drought & Bobbitt, LLP, 2900 Weston Centre, 122 East Pecan Street, San Antonio, Texas 78205.

TO: Frost National Bank, as Trustee of the Stanley A. Morton Trust, c/o Stan McCormick, Registered Agent, 100 West Houston Street, San Antonio, Texas 78205.

PLEASE TAKE NOTICE that, pursuant to the Texas Rules of Civil Procedure, Defendant JPMorgan Chase Bank, N.A. ("JPMC") intends to subpoena records from Broadway National Bank relevant to the above-styled action by Plaintiffs. The documents to be produced are described in the proposed subpoena ("Subpoena") and Exhibit A, attached hereto. The documents must be produced pursuant to the Subpoena on or before Monday, February 24, 2014, at 10:00 a.m. at the offices of HORNBERGER SHEEHAN FULLER BEITER WITTENBERG & GARZA, 7373 Broadway, Suite 300, San Antonio, Texas 78209. Further, JPMC will pay Frost National Bank's reasonable costs of complying with the Subpoena pursuant to Section 59.006 of the Texas Finance Code and the Texas Rules of Civil Procedure.

(00038433.1)



As a customer of Frost National Bank, the Stanley A. Morton Trust may seek an appropriate remedy from the 225th Judicial District Court with regard to the Subpoena, including filing a motion to quash the Subpoena or a motion for protective order.

Respectfully Submitted,

**HORNBERGER SHEEHAN FULLER BEITER
WITTENBERG & GARZA INCORPORATED**

7373 Broadway, Suite 300
San Antonio, Texas 78209
(210) 271-1700 Telephone
(210) 271-1740 Fax

By: _____

Patrick K. Sheehan
State Bar No. 18175500
Kevin M. Beiter
State Bar No. 02059065
Rudy A. Garza
State Bar No. 07738200
David Jed Williams
State Bar No. 21518060

- and -

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Dallas, Texas 75202
(214) 979-3000 - Telephone
(214) 880-0011 - Facsimile
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State Bar No. 07281500
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State Bar No. 06494800
Amy S. Bowen
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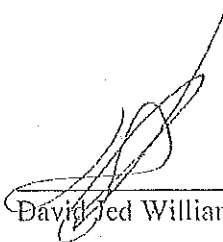
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Prichard Hawkins McFarland & Young
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kyoung@phmy.com

VIA EMAIL

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Mr. J. Graham Kenney
Ytterberg Deery Knull LLP
3555 Timmons Lane, Suite 1000
Houston, Texas 77027-6495
aytterberg@ydklaw.com
gkenney@ydklaw.com

VIA EMAIL



David Jed Williams

EXHIBIT A

DEFINITIONS

1. "Frost Bank" shall refer to Frost National Bank and shall include any past and present officers, directors, shareholders, affiliates, subsidiaries, agents, representatives, employees, servants, and all persons acting directly or indirectly on its behalf.

2. "Stanley Morton Trust Lease" shall refer to the oil and gas lease executed between ~~Broadway Bank~~, as trustee of the Stanley A. Morton Trust, and EOG dated July 20, 2009, and shall include any drafts, memoranda, or agreements related thereto.

3. "Stanley Morton Trust" shall refer to the trust that is a party to the oil and gas lease executed between ~~Broadway Bank~~, as trustee of the Stanley A. Morton Trust, and EOG dated July 20, 2009.

4. "The Property" shall refer to that certain 37,000 acres of land situated in LaSalle and McMullen Counties, Texas, the minerals of which were the subject of oil and gas leases entered into between EOG and the B. Naylor Morton Trust, the Stanley A. Morton Trust, and Douglas R. Semmes, Jr., Mary Elizabeth Semmes Waller, and Margaret Ann Semmes Stavropoulos in July and August 2009.

5. "Person" shall refer to any individual, partnership, association, corporation, joint venture, firm, proprietorship, agency, board, authority, commission, or other legal or business entity.

6. "Communication" shall refer to every disclosure, transfer or exchange of information, whether orally or in writing and whether in person, by telephone, by telegram, by air courier, by mail, by personal delivery or in any other manner or method.

7. "Relate," "Relating," or "Related" shall refer to anything that relates, refers, reflects, regards, indicates, shows, displays, demonstrates, evidences, supports, constitutes, composes, describes, explains or pertains the matter referred to.

8. "Document" shall refer to any written or recorded material without limitation, whether typed, handwritten, printed or otherwise, or any photograph, photostat, microfilm, tape recording or other reproduction thereof, including, without limitation, each note, memorandum, work paper, letter, telegram, e-mail, telex, circular, release, article, wire transmission, report, prospectus, memorandum of telephone or personal conversation, either in writing or upon any mechanical, electrical or electronic recording device, any analysis, chart, account, book, draft, summary, diary, transcript, agreement, contract, order, tape, computer diskettes, and other data compilation from which information can be obtained or translated through detection devices into reasonable usable form when translation is practicably necessary, including the original and any non-identical copy (whether different from the original because of handwritten notes, or underlining on the copy or otherwise). Pursuant to Texas Rule of Civil Procedure 196.4, the term "Document" includes data or information that exists in electronic or magnetic form and Bank of America hereby specifies that such data or information shall be produced in its original format together with any hard copy or printed version that exists.

9. As used herein, the term "and" means "and/or."

10. As used herein, the term "or" means "or/and."

DOCUMENTS REQUESTED

1. A copy of the Stanley Morton Trust Lease.
2. A copy of Frost Bank's lease file pertaining to the Stanley Morton Trust Lease.
3. All letter agreements relating to the Stanley Morton Trust Lease.
4. All documents setting forth the terms, including bonus consideration and royalty percentage for the Stanley Morton Trust Lease.

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET. AL.

VS.

JPMORGAN CHASE BANK, N.A.
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST
and GARY P. AYMES

§
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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

CONSENT TO SUBPOENA OF FROST NATIONAL BANK

Frost National Bank, as trustee of the Stanley A. Morton Trust, hereby consents to the subpoena issued by JP Morgan Chase Bank, N.A., attached hereto.

Stanley A. Morton Trust
Frost National Bank, Trustee

By: _____
Date: _____



2010CI10977 -P00459

YTTERBERG DEERY KNULL LLP

A REGISTERED LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AT LAW
3555 TIMMONS LANE, SUITE 1000
HOUSTON, TEXAS 77027-6495
WWW.YDKLAW.COM

CRT
②

LAURA A. DAVIS
PARALEGAL
LDAVIS@YDKLAW.COM

DIRECT DIAL: (713) 980-7706
TELEPHONE: (713) 980-7700
FACSIMILE: (713) 980-7799

February 28, 2014

225th

BY FEDERAL EXPRESS

Bexar County District Clerk
ATTENTION: Recording
Paul Elizondo Tower
101 W. Nueva, Suite 217
San Antonio, Texas 78205-3411

Re: John K. Meyer, Et Al vs. JPMorgan Chase Bank, N.A., Individually/Corporately and as
Trustee of the South Texas Syndicate Trust and Gary P. Aymes
Cause No. 2010-CI-10977 in the District Court 225th Judicial District of Bexar County,
Texas

Dear Ladies and Gentlemen:

Enclosed is a check in the amount of \$39 for payment of a CD for documents requested
in the above-referenced cause. Please forward the CD to my attention at the above-captioned
address.

Thank you for your attention to this matter.

Very truly yours,

Laura A. Davis
Laura A. Davis

Enclosure

cc: Mr. J. Graham Kenney (Firm)

By *Linda Moreno*

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2014 MAR -4 P 2:28

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Page 1 of 2

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Houston, TX 77027

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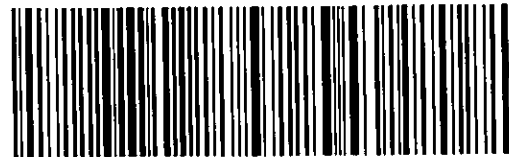
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Bexar County

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BY Rodanne Madall

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NAME: Laura Davis

PHONE #: 713-980-7706

CAUSE #: 2010 CI 10977

COURT: 225th

COST OF CD

DISTRICT CLERK COSTS FOR MAKING CD

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Electronic copies each additional 100 pages

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Total number of pages 215

Clerk receiving request: Rodanne Madall TOTAL: \$39.00

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2010 CI 10977

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225th



2010CI10977 -P00460

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(C)

YTTERBERG DEERY KNULL LLP

3555 Timmons Lane, Suite 1000, Houston, Texas 77027-6495

TELEPHONE 713 980 7700

FACSIMILE 713 980 7799

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Laura Davis

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RE:

REFERENCE NUMBER:

Cause no. 2010-CI-10977

John K. Meyer et al V. JPMorgan
Chase Bank, N.A.,
Individually/Corporately and as
Trustee of the South Texas Syndicate
Trust and Gary P. Ames

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DISTRICT CLERK
BEXAR COUNTY

14 FEB -6 AM 8:02

☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☒ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

We would like to order non-certified copies of the following documents:

P00022	Filed 7/13/11	Second Amended Motion for Protective Order of JPMorgan Chase Bank NA
T00026	Filed 7/22/11	Non-Jury Setting on Motion of Protective Order
T00031	Filed 7/29/11	Motion for Entry of Protective Order
T00044	Filed 11/2/11	Non-Jury Defendants Motions for Protective Order

O00005	Filed 11/14/11	Agreed Protective Order
T00060	Filed 12/16/11	Defendant Motion to Set Objections to Request for Production no. 92 and Motion for Protective Order
P00072	Filed 12/23/11	Defendant's Motion to Quash and for Protective Order
P00077	Filed 12/28/11	Response to Motion for Protective Order of EOG Resources, Inc.
P00078	Filed 12/28/11	Response to Motion for Protective Order from Disc Notice of Pioneer Natural Resources USA, Inc.
T00079	Filed 12/29/11	Non-Jury Motion to Set Objections, Compel, Protection from Discovery & Protective Order
T00096	Filed 2/28/12	Non-Jury Defendants Motion to Set Objections to Request for Production #92 & Motion for Protective Order, Plaintiffs Motion to Compel Witness Statements, Pioneer Natural Resources USA Inc.'s Motion for Protection from Discovery Notice & EOG Resources Inc.'s Motion for Protective Order
T00120	Filed 6/6/12	Non-Jury Defendant's Motions for Protective Order Of May 23, 2011, June 13, 2011, June 29, 2011 and July 13, 2011
T00131	Filed 6/6/12	Non-Jury Defendant's Motions for Protective Order
P00121	Filed 6/11/12	Objections to Subpoenas and Motion to Quash and For Protective Order of JPMorgan Chase Bank NA Individually and as Trustee of South Texas Syndicate Trust and Gary P. Aymes
P00124	Filed 6/14/12	Response to Objections to Subpoenas and Motion to Quash and for Protective order of John K. Meyer et Al
P00126	Filed 6/14/12	Response to Plaintiffs' Motion to Compel Documents from Related Cases and Motion for Protective Order
P00141	Filed 7/23/12	Motion for Protective Order against Intervenor
T00149	Filed 10/22/12	Non-Jury Defendants' Motion for Protective Order Against Plaintiff-Intervenor
P00158	Filed 10/29/12	Motion for Protective Order of Non-Party Reliance

Holding USA Inc.

T00159	Filed 11/5/12	Non-Jury Resetting Plaintiff-Intervenors' Motion to Compel Answers to Interrogatories and Production Of Documents and JPMorgan's, Reliance's and Pioneer's Motions for Protective Order
P00164	Filed 11/30/12	Second Motion for Protective Order of JPMorgan Chase Bank NA
P00202	Filed 3/12/13	Motion to Quash and Motion for Protective Order Of JPMorgan Chase Bank NA Individually and as Trustee of South Texas Syndicate Trust
T00206	Filed 3/15/13	Non-Jury Fiat on Motion to Quash and Motion for Protective Order
P00224	Filed 5/8/13	Motion for Protective Order of Plaintiff-Intervenors
T00226	Filed 5/8/13	Non-Jury Setting on Motion for Protective Order
P00267	Filed 7/9/2013	First Amended Petition for Intervention of John L. Washburn, Ellen McLean, Malcom, McLean, A. Michael Washburn, Daniel Washburn, Julia Washburn, Robert F. McLean, Sarah A. McLean Anthony A. McLean, John H. McLean, Ian McLean Hugh H. McLean and Christopher McLean
P00282	Filed 9/9/13	Motion for Protective Order
P00298	Filed 10/16/13	Motion for Protective Order Concerning Third Set Of Interrogatories
P00327	Filed 11/26/13	Motion to Quash and for Protective Order
P00345	Filed 12/11/13	Motion for Protective Order

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Please call me at 713-980-7706 or email me at ldavis@ydklaw.com

Thank you for your help with these copies.

Laura Davis

Paralegal

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JUDGE, 407th JUDICIAL DISTRICT

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BEXAR COUNTY

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached.

If you wish to keep the materials you presented, please pick them up from the clerk of the 407th, Mary Velasquez, before the end of the week.

I have made my best effort to identify all parties/attorneys to include them on this notice. If I have left anyone off, please be so kind as to forward this order immediately.

Karen Pozza
Judge, 407th District Court

Document
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No. 2010-CI-10977

John K. Meyer, et al

vs.

JP Morgan Chase Bank, N.A., et al

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In the District Court


225th Judicial District

Bexar County, Texas

**Order on Defendant's Motion to Exclude Evidence Not Disclosed during
Discovery and Strike Untimely Expert Opinions**

Defendant's Motion to Exclude Evidence Not Disclosed during Discovery and Strike Untimely Expert Opinions is granted. The court finds that the amount and any method of calculating lost royalty damages by Plaintiff's expert witness Charles E. Graham, III has not been timely provided given the March 24, 2014 trial date.

Signed and entered March 5, 2014.



Hon. Karen Pozza
Judge, 407th District Court

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Charles A. Gall (214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached

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Charles A. Gall (214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is

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	Charles A. Gall	(214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached

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Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

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Counsel,

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Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached

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Charles A. Gall (214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is
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Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is
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Charles A. Gall (214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached.

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Jim L. Flegle (214) 572-1717
Fred W. Stumpf (713) 871-2024
Charles A. Gall (214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

Counsel,

Thank you for your excellent briefing and presentations. The order is attached.

*** TX Report ***

TRANSMISSION OK

TX/RX NO	1493
DESTINATION ADDRESS	912148800011
DESTINATION ID	
ST. TIME	03/05 16:32
TIME USE	01'12
PAGES SENT	2
RESULT	OK



KAREN H. POZZA
JUDGE, 407th JUDICIAL DISTRICT

100 DOLOROSA ST.
SAN ANTONIO, TEXAS 78205
(210) 335-2462

Facsimile Cover Sheet

To:	Patrick K. Sheehan	(210) 271-1730
	James L. Drought	(210) 222-0586
	George Spencer, Jr.	(210) 227-0732
	John B. Massopust	(612) 336-9100
	Michael S. Christian	(415) 693-0770
	Richard Tinsman	(210) 225-1863
	Steven J. Badger	(214) 760-8994
	Jim L. Flegle	(214) 572-1717
	Fred W. Stumpf	(713) 871-2024
	Charles A. Gall	(214) 880-0011

Date: 3/5/14

Re: 2010-CI-109770; Meyer v. JP Morgan Chase

Number of pages, including cover sheet: 2

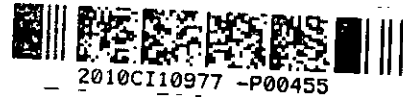
Counsel,

Thank you for your excellent briefing and presentations. The order is
attached

Pozza
4th Fl

45 min - 2 hrs

JUDGE'S NOTES



CAUSE NO.: 2010CI10977

COURT: 225

DATE/TIME: 03/05/2014 08:30AM

SETTING COURT: 109

STYLE: JOHN K MEYER

VS. JP MORGAN CHASE BANK N A ET AL

DISCOVERY LEVEL: 2

ATTORNEY(S) FOR CASE:

GEORGE SPENCER JR.

PATRICK SHEEHAN

JIM FLEGLE

JOHN MASSOPUST

RUDY GARZA

DAVID WILLIAMS

RICHARD TINSMAN

DAVID PRICHARD

MARK RANDOLPH

JAMES DROUGHT

STEVEN BADGER

MATTHEW GOLLINGER

JOHN EICHMAN

MARK JOSEPHS

FRED STUMPF

Daniel Sciano

THIS CASE HAS 15 OR MORE ATTORNEYS

TYPE OF MOTION OR APPLICATION:

NON-JURY SET ON M/T EXCLUDE EVIDENCE

Kevin Beiter
Stephanie Curette
Jim Flegle

14 MAR - 5 PM 3:31
DEPUTY
By [Signature]

FILED
DONNA KAY MCKINNEY
DISTRICT CLERK
BEXAR COUNTY

CONFERRING _____ ESTIMATE HEARING TIME _____

AGREED ORDER _____ ASSIGNED COURT _____

DROP _____ RECORD TAKEN _____

INTERPRETER _____ RESET DATE _____ TIME _____

Document
scanned as filed.

DATE OF NOTES _____

JUDGE INITIALS _____

3/5/14 - Met. & exclude end

Pozza Record - Tracy Ray Plummer
started.

order taxed 3/5/14 ~ 3pm

IT expert Graham shall

not testify re. lost royalties
damages.



CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
 vs.) BEXAR COUNTY, TEXAS
)
 JP MORGAN CHASE BANK, N.A.)
 INDIVIDUALLY/CORPORATELY)
 AND AS TRUSTEE OF THE)
 SOUTH TEXAS SYNDICATE)
 TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

REPORTER'S CERTIFICATE

ORAL VIDEOTAPED DEPOSITION OF GREG CROW

January 22, 2014

FILED
 COURT CLERK
 BEXAR COUNTY
 2014 MAR -3 PM 3:09
 RECEIVED
 DEPUTY

Beverly A. Conville

I, Shauna Foreman, Certified Shorthand Reporter
 in and for the State of Texas, hereby certify to the
 following:

That the witness, GREG CROW, was duly sworn and
 that the transcript of the deposition is a true
 record of the testimony given by the witness;

That the deposition transcript was duly
 submitted on 1-29-14 to the witness or to
 the attorney for the witness for examination,
 signature, and return to me by

2-18-14.

That pursuant to information given to the
 deposition officer at the time said testimony was
 taken, the following includes all parties of record

1 and the amount of time used by each party at the time
2 of the deposition:

3 James L. Drought (1h35m)
Attorney for Plaintiff
4 David Jed Williams (0h18m)
Attorney for Defendants
5

6 That a copy of this certificate was served on
7 all parties shown herein on 1-25-14
8 and filed with the Clerk.

9 I further certify that I am neither counsel for,
10 related to, nor employed by any of the parties in the
11 action in which this proceeding was taken, and
12 further that I am not financially or otherwise
13 interested in the outcome of this action.

14 Further certification requirements pursuant to
15 Rule 203 of the Texas Code of Civil Procedure will be
16 complied with after they have occurred.

17 Certified to by me on this 22nd day of
18 January, 2014.



22 Shauna Foreman

23 Shauna Foreman, CSR
24 Texas CSR 3786
Expiration: 12/31/2014
Kim Tindall & Associates
645 Lockhill Selma, Suite 200
San Antonio, Texas 78216
(210) 697-3400
Firm No. 631
25

1 FURTHER CERTIFICATION UNDER TRCP RULE 203

2
3 The original deposition was/~~was not~~ returned to
4 the deposition officer on 2-18-14.

5 If returned, the attached Changes and Signature
6 page(s) contain(s) any changes and the reasons
7 therefor.

8 If returned, the original deposition was
9 delivered to James L. Drought, Custodial Attorney.

10 \$~~69.00~~ is the deposition officer's charges to
11 the Plaintiff for preparing the original deposition
12 and any copies of exhibits;

13 The deposition was delivered in accordance with
14 Rule 203.3, and a copy of this certificate, served on
15 all parties shown herein, was filed with the Clerk.

16 Certified to by me on this 25th day of

17 Jan, 2014.

18
19
20 By BW

21 Shauna Foreman

22 Shauna Foreman, CSR
23 Texas CSR 3786
24 Expiration: 12/31/2014
25 Kim Tindall & Associates
645 Lockhill Selma, Suite 200
San Antonio, Texas 78216
(210) 697-3400

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
vs.) BEXAR COUNTY, TEXAS
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

BY
DEPUTY

RECEIVED

FILED
JANUARY 2014
DISTRICT CLERK
BEXAR COUNTY
2014 MAR -3 PM 3:10

Brenda A. Smith

REPORTER'S CERTIFICATE

ORAL VIDEOTAPED DEPOSITION OF RICHARD STONEBURNER

February 4, 2014

I, Shauna Foreman, Certified Shorthand Reporter
in and for the State of Texas, hereby certify to the
following:

That the witness, RICHARD STONEBURNER, was duly
sworn and that the transcript of the deposition is a
true record of the testimony given by the witness;

That the deposition transcript was duly
submitted on 2-05-14 to the witness or to
the attorney for the witness for examination,
signature, and return to me by

3-03-14.

That pursuant to information given to the
deposition officer at the time said testimony was

1 taken, the following includes all parties of record
2 and the amount of time used by each party at the time
3 of the deposition:

4 Jim L. Flegle (2h22m)
5 Attorney for Plaintiff

6 That a copy of this certificate was served on
7 all parties shown herein on 2-26-14
8 and filed with the Clerk.

9 I further certify that I am neither counsel for,
10 related to, nor employed by any of the parties in the
11 action in which this proceeding was taken, and
12 further that I am not financially or otherwise
13 interested in the outcome of this action.

14 Further certification requirements pursuant to
15 Rule 203 of the Texas Code of Civil Procedure will be
16 complied with after they have occurred.

17 Certified to by me on this 4th day of
18 February, 2014.



19 Shauna Foreman

20
21 Shauna Foreman, CSR
22 Texas CSR 3786
23 Expiration: 12/31/2014
24 Kim Tindall & Associates
25 645 Lockhill Selma, Suite 200
San Antonio, Texas 78216
(210) 697-3400
Firm No. 631

FURTHER CERTIFICATION UNDER TRCP RULE 203

The original deposition ~~was~~ was not returned to the deposition officer on 2-14-14.

If returned, the attached Changes and Signature page(s) contain(s) any changes and the reasons therefor.

If returned, the original deposition was delivered to Jim L. Flegle, Custodial Attorney.

~~\$175.00~~ is the deposition officer's charges to the Plaintiff for preparing the original deposition and any copies of exhibits;

The deposition was delivered in accordance with Rule 203.3, and a copy of this certificate, served on all parties shown herein, was filed with the Clerk.

Certified to by me on this 26th day of

, 2014.

By BW

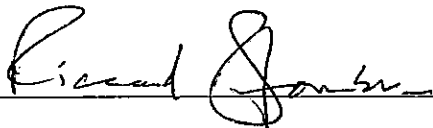
Shirana Solomon

Shauna Foreman, CSR
Texas CSR 3786
Expiration: 12/31/2014
Kim Tindall & Associates
645 Lockhill Selma, Suite 200
San Antonio, Texas 78216
(210)697-3400

CHANGES AND SIGNATURE

CHANGES AND SIGNATURE			
PAGE	LINE	CHANGE	REASON
5	14	goes → gas	spelling / term
16	11	eight → '08	term
25	10	crustaceous → cretaceous	sp.
26	18	a sale → La Salle	spelling
42	3	conferred → inferred	sp. / term
63	7	Almos → Olmos	spelling
86	10	APC → AAPG	term
95	20	purse → perfs	spelling / term

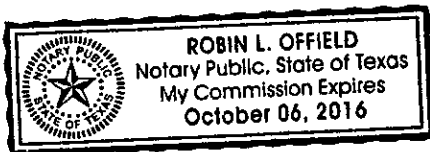
1 I, RICHARD STONEBURNER, have read the foregoing
2 deposition and hereby affix my signature that same is
3 true and correct, except as noted above.

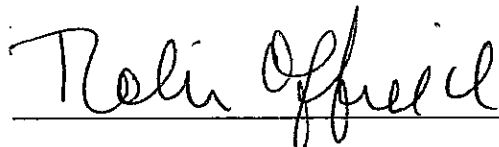
4 
5
6 RICHARD STONEBURNER

7
8 THE STATE OF Texas)
9 COUNTY OF Harris)

10
11 Before me, _____, on this
12 day personally appeared RICHARD STONEBURNER, known to
13 me or proved to me on the oath of _____
14 or through _____ (description of
15 identity card or other document) to be the person
16 whose name is subscribed to the foregoing instrument
17 and acknowledged to me that he/she executed the same
18 for the purpose and consideration therein expressed.

19 Given under my hand and seal of office on this
20 10th day of February 2014.



23 
24 NOTARY PUBLIC IN AND FOR
25 THE STATE OF Texas

My Commission Expires: 10-6-16

(Consolidated Under)
2010-CI-10977

JOHN K. MEYER, ET AL.,
Plaintiff,

vs.

JP MORGAN CHASE BANK, N.A.
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST
and GARY P. AYMES,
Defendants.

§
§
§
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§

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF MARK A. NORVILLE

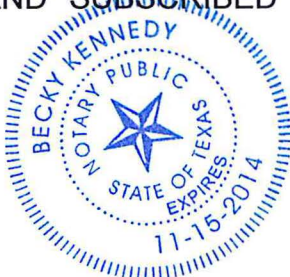
Before me, the undersigned authority, personally appeared Mark A. Norville, who, being by me duly sworn, deposed as follows:

My name is Mark A. Norville, I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated:

I am currently the Vice President, Exploration & Development, of BBOG GP, LLC, the general partner of BlackBrush Oil & Gas, L.P., which is the successor by merger to BB-II Operating LP. Prior to said merger, I was the Vice President of Exploration for BB-II Operating GP LLC, the general partner of BB-II Operating LP. Attached hereto are copies of a Participation Agreement and its exhibits, dated January 13, 2009, among BB-II Operating LP, Whittier Energy Company, and Common Resources, L.L.C. I personally executed said Participation Agreement on behalf of BB-II Operating LP, acting in my capacity as an officer of the general partner of said partnership. The copies of said agreement and its exhibits attached hereto are exact duplicates of the original agreement and its exhibits, which originals are maintained by BlackBrush Oil & Gas, L.P. in its records in the regular course of its business, as successor by merger to BB-II Operating LP.


Mark A. Norville

SWORN TO AND SUBSCRIBED before me on the 28th day of
February, 2014.




Notary Public, State of Texas

(Consolidated Under)
2010-CI-10977

JOHN K. MEYER, ET AL.,	§	IN THE DISTRICT COURT
Plaintiff,	§	
	§	
vs.	§	
	§	
JP MORGAN CHASE BANK, N.A.	§	225 TH JUDICIAL DISTRICT
INDIVIDUALLY/CORPORATELY	§	
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST	§	
and GARY P. AYMES,	§	
Defendants.	§	BEXAR COUNTY, TEXAS

AFFIDAVIT OF CUSTODIAN OF RECORDS FOR
MURPHY EXPLORATION & PRODUCTION COMPANY - USA

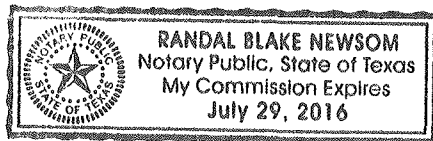
Before me, the undersigned authority, personally appeared
Kane Heinen, who, being by me duly sworn, deposed as follows:

My name is Kane Heinen, I am of sound mind, capable of
making this affidavit, and personally acquainted with the facts herein stated:

I am the custodian of the records of Murphy Exploration & Production Company - USA. Attached hereto are 145 pages of records from Murphy Exploration & Production Company - USA. These said 145 pages of records are kept by Murphy Exploration & Production Company - USA in the regular course of business, and it was the regular course of business of Murphy Exploration & Production Company - USA, with knowledge of the act, event, condition, opinion, or diagnosis, recorded to make the record or to transmit information thereof to be included in such record; and the record was made at or near the time or reasonably soon thereafter. The records attached hereto are the original or exact duplicates of the original.

[Signature]
Affiant

SWORN TO AND SUBSCRIBED before me on the 26th day of February,
2014.



[Signature]
Notary Public, State of Texas

2010-CI-10977

JOHN K. MEYER	§	IN THE DISTRICT COURT
	§	
	§	
V.	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	225TH JUDICIAL DISTRICT
INDIVIDUALLY/CORPORATELY	§	
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST	§	
AND GARY P. AYMES	§	BEXAR COUNTY, TEXAS

**APPENDIX TO PLAINTIFF'S RESPONSE TO DEFENDANT'S TRADITIONAL
AND NO-EVIDENCE MOTIONS FOR SUMMARY JUDGMENT**

VOLUME 2 OF 2

Appendix Volume 2

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• February 2, 2014 Deposition Transcript of Richard Stoneburner.....	00723
• February 11, 2014 Deposition Transcript of Paschall Tosch.....	00767
• February 14, 2014 Deposition Transcript of David Herford	00805
• Plaintiff’s Fourth Amended Petition in MOSH Holdings v. Pioneer Natural Resources Company, Cause No. 2006-01984, in the 334 th Judicial District of Harris County, Texas.....	00846
• Final Judgment in MOSH Holdings v. Pioneer Natural Resources Company, Cause No. 2006-01984, in the 334 th Judicial District of Harris County, Texas.....	00875
• Order Denying Temporary Orders in MOSH Holdings v. Pioneer Natural Resources Company, Cause No. 2006-01984, in the 334 th Judicial District of Harris County, Texas.....	00916
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• Marubeni Webpage (JP Morgan as stockholder)	00953
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3. Affidavit of Robert E. Lee, III	01121
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5. Supplemental Affidavit of James K. O’Connell	01198
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8. Billiton Valuation	01224

Transcript of the Testimony of
Greg Crow

Date:

January 22, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

Kim Tindall and Associates, LLC

Phone: 210-697-3400

Fax: 210-697-3408

Email: ktindall@ktanda.com

Internet: www.kimtindallandassociates.com

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

GREG CROW

January 22, 2014

ORAL VIDEOTAPED DEPOSITION OF GREG CROW,
produced as a witness at the instance of the
Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on January 22, 2014,
from 1:27 p.m. to 3:22 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Hunton & Williams, 700 Louisiana,
Suite 4200, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

Page 2

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APPEARANCES

FOR DEFENDANTS:

DAVID JED WILLIAMS, ESQ.

HORNBERGER SHEEHAN FULLER BETTER WITTENBERG & GARZA

7373 Broadway

Suite 300

San Antonio, Texas 78209

Telephone: 210-271-1731

Fax: 210-271-1730

E-mail: jwilliams@hsfblaw.com

FOR PLAINTIFF:

JAMES L. DROUGHT, ESQ.

DROUGHT DROUGHT & BOBBITT

3900 Weston Centre

112 East Pecan Street

San Antonio, Texas 78205

Telephone: 210-225-4031

Fax: 210-222-0586

E-mail: jld@ddb-law.com

ALSO PRESENT:

Terry Harrison, Videographer

Susan P. Kravik

Page 4

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Test test Greg Crow

VIDEOGRAPHER: Today is January 22nd,

2013. We're on the record, and the time is 1:27.

GREG CROW,

having been first duly sworn, testified as follows:

EXAMINATION

Q. (BY MR. DROUGHT) Please state your name.

A. Greg Crow.

Q. Mr. Crow, my name is Jim Drought. I'm a

lawyer from San Antonio, and I'm representing some of

the beneficiaries of the South Texas Syndicate Trust

in a lawsuit involving JP Morgan.

Do you understand that?

A. Yes, sir.

Q. Let me just ask you some background

questions first.

Did you grow up in the Houston area

or --

A. No. I'm from Fort Worth originally.

Q. Okay. Went to high school in Fort Worth?

A. High school in Fort Worth.

Q. And then went to the University of Texas?

A. Yes.

Q. And what year did you graduate?

A. '81, 1981.

Page 3

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Q. And that was in the business school?

A. Yes, sir.

Q. After receiving your BBA, did you get any

other formal education?

A. No.

Q. What type of work experience have you been

involved in since you graduated from college?

A. I joined Bank of the Southwest in 1981 as a

mineral property manager in their oil and gas group.

Q. Okay. How long were you with Bank of

Southwest?

A. Through all the various name changes until

September of 2008. So, it was JP Morgan when I left.

So, a total of 27 years.

Q. And were you in the oil and gas specialty

area the entire time that you were working for JP

Morgan and the predecessor banks?

A. Yes, I was.

Q. Do you have any type of certification, such

as a landman certification?

A. I'm a CPL, a certified professional

landman.

Q. And in September of 2008 what type of

employment did you take up?

A. I joined Travis Property Management, who

2 (Pages 2 to 5)

<p style="text-align: right;">Page 6</p> <p>1 does basically the same -- offers the same services 2 as the JP Morgan oil and gas group, just not 3 specifically for a particular company. 4 Q. And is Travis Property Management 5 associated or affiliated with a trust company? 6 A. We do work for Houston Trust Company. We 7 do the oil and gas management for them. 8 Q. Okay. There's a trust company in 9 San Antonio called The Trust Company. 10 Is that a separate entity, or is that 11 part of the same one that's -- 12 A. No, not affiliated. I've seen the name, 13 but it's not affiliated with Houston Trust Company. 14 Q. So, would the Houston Trust Company then be 15 a client of Travis Property Management? 16 A. Yes. 17 Q. And so, there's other minerals that you 18 manage for other clients or customers; is that 19 correct? 20 A. Correct. 21 Q. I have put a stack of exhibits in front of 22 you, and I've given JPM's counsel a copy. I want to 23 go over a few of these with you, maybe not all of 24 them. But if you turn to Exhibit 7 -- do you see 25 Exhibit 7 in front of you?</p>	<p style="text-align: right;">Page 8</p> <p>1 is that you have to answer with a yes or a no or 2 something else because it's hard for the court 3 reporter to get down -- 4 A. All right. 5 Q. All right. Well, did you have any role in 6 negotiating the terms of that particular lease that's 7 been marked as Exhibit 7? 8 A. I think if there was a role it would be 9 just in discussions on the phone with other mineral 10 property managers as far as talking about the lease 11 terms and what was going on and if anybody else knew 12 anything about the area, possibly discussions on 13 changes to the lease. 14 So, to be honest with you, until I saw 15 some of those e-mails today I wouldn't have been able 16 to have been up to date on any of that. After five 17 years, seeing some e-mails jogged a few memories. I 18 just know it was common practice for most lease 19 offers to discuss them on the phone. I don't know 20 what the formal approval process was at that time. I 21 don't recall. There were changes that were made as a 22 result of some of the bank mergers, but I do know it 23 would be very common for us to all discuss it. And I 24 can't tell you that I recall these in particular, but 25 I'm certain that there was discussions in the mineral</p>
<p style="text-align: right;">Page 7</p> <p>1 A. Oil and gas lease, yes. 2 Q. All right. This is an oil and gas lease 3 that Petrohawk -- dated May 27th, 2008, involving 4 12,700 acres of land, more or less. 5 Are you familiar with this lease? 6 A. I can't say I'm familiar with this 7 particular lease. I know that leases were given on 8 the South Texas Syndicate, but until I had a chance 9 to actually see these I was not aware of the 10 particular lease itself. 11 Q. Okay. When was the first time you saw this 12 particular lease? Was it now, or did you see it in 13 getting ready for your deposition? 14 A. I don't recall if we looked at it in the 15 deposition, but there was e-mails regarding the lease 16 that I've seen. I believe this is the first time 17 I've actually seen the lease itself. 18 Q. Okay. Well, have you had an opportunity to 19 meet with Jed Williams prior to this deposition? 20 A. We talked. 21 Q. On the telephone? 22 A. No. We met here before the meeting. 23 Q. Okay. Met here today before the meeting? 24 A. Uh-huh. 25 Q. One of the things about these depositions</p>	<p style="text-align: right;">Page 9</p> <p>1 property manager meeting calls about this particular 2 lease. 3 Q. Okay. I'm going to object to the part of 4 your answer that was nonresponsive to my question. 5 This is something we have to do as lawyers. I don't 6 mean to be offensive by that, but my particular 7 question is regarding this lease and -- and maybe I 8 can be more specific. 9 Do you remember if you had any 10 discussions regarding that particular lease regarding 11 the amount of acreage that would be included in it? 12 A. There were probably discussions about how 13 to divide it up. 14 Q. Well, I don't want you to -- to speculate 15 or -- or guess because this -- you know, this -- 16 A. That's what I would be doing if I tried to 17 be direct about some of those. 18 Q. Okay. 19 A. I'm sorry. But that's been five -- over 20 five years. 21 Q. And I understand. I'm just trying to get 22 what you -- what you remember. And if you don't 23 remember, then that's the right answer. 24 A. All right. 25 Q. Did you have a discussion regarding the</p>

3 (Pages 6 to 9)

<p style="text-align: right;">Page 10</p> <p>1 royalty percentage that was negotiated in that lease?</p> <p>2 A. I'm sure that was discussed.</p> <p>3 Q. Do you remember discussing it?</p> <p>4 A. I don't recall the exact conversation, but</p> <p>5 I'm sure that would have been a topic of discussion.</p> <p>6 Q. Did you discuss any depth restrictions</p> <p>7 regarding that particular lease?</p> <p>8 A. Well, I don't recall, but the lease does</p> <p>9 have -- if it was a lease form used by the bank, it</p> <p>10 would have had a provision in there to begin with.</p> <p>11 Q. All right. Do you recall any discussion of</p> <p>12 the delay rental provisions?</p> <p>13 A. Particular discussions on that provision,</p> <p>14 no.</p> <p>15 Q. Do you recall any discussions regarding the</p> <p>16 continual development clause in this lease?</p> <p>17 A. I think that was a discussion that would</p> <p>18 probably have been linked in to the dividing up the</p> <p>19 acreage into different leases.</p> <p>20 Q. Okay. Now, again, is this something</p> <p>21 remember or you just think it might have happened?</p> <p>22 A. No. It was from seeing prior e-mails. I</p> <p>23 would not have been able to recall any of those</p> <p>24 discussions had I not seen some of those e-mails from</p> <p>25 this morning.</p>	<p style="text-align: right;">Page 12</p> <p>1 A. I don't recall the date on the e-mail that</p> <p>2 I was looking at.</p> <p>3 Q. Take a look at Exhibit 9 for me. That --</p> <p>4 you see that that's another Petrohawk lease dated</p> <p>5 May 27th, 2008?</p> <p>6 A. Yes, sir.</p> <p>7 Q. And that was the same date as Exhibit 7; is</p> <p>8 that correct?</p> <p>9 A. It is.</p> <p>10 Q. And did you have a discussion with Pattie</p> <p>11 Ormond that you can remember as you sit here today</p> <p>12 regarding the amount of bonus to be negotiated for</p> <p>13 that lease?</p> <p>14 A. I'm sure in the conversations with the</p> <p>15 landman at the bank that would have been an item of</p> <p>16 discussion, along with the royalty.</p> <p>17 Q. Okay. But, Mr. Crow, I'm trying to get not</p> <p>18 what might have happened with other mineral managers</p> <p>19 but what you can remember, and my question</p> <p>20 specifically: Do you recall a conversation with</p> <p>21 Pattie Ormond regarding the amount of bonus on this</p> <p>22 particular lease?</p> <p>23 A. I do not recall a particular conversation,</p> <p>24 but I'm certain that there were conversations on a</p> <p>25 committee situation regarding the lease.</p>
<p style="text-align: right;">Page 11</p> <p>1 Q. Did you have any discussions regarding the</p> <p>2 length of time that would elapse between the</p> <p>3 completion of one well and the commencement of</p> <p>4 another well?</p> <p>5 A. I'm sure that would have been part of the</p> <p>6 discussion on continuous development.</p> <p>7 Q. All right. Did you have any e-mails with</p> <p>8 Pattie Ormond about any of these items that we just</p> <p>9 talked about?</p> <p>10 A. If I would have met with you without</p> <p>11 advantage of seeing that today, I would have told you</p> <p>12 I don't recall. But I've seen an e-mail, so</p> <p>13 obviously there were some discussions.</p> <p>14 Q. Have you brought some documents today that</p> <p>15 helped refresh your memory?</p> <p>16 A. No.</p> <p>17 Q. But you're talking about an e-mail that</p> <p>18 you're referring to right now?</p> <p>19 A. Must be in part of your package.</p> <p>20 Q. Well, what did the e-mail say? Do you</p> <p>21 remember?</p> <p>22 A. It was just an e-mail discussing changes to</p> <p>23 the lease form.</p> <p>24 Q. In general or that particular lease that's</p> <p>25 been marked as Exhibit 7?</p>	<p style="text-align: right;">Page 13</p> <p>1 Q. Well, was there a committee involved that</p> <p>2 approved these leases that we just looked at,</p> <p>3 Exhibits 7 and 9?</p> <p>4 A. I don't recall what the exact formal</p> <p>5 structure of the committee was at that time. I can</p> <p>6 tell you what it had been for 25 years before the</p> <p>7 merger. But with the changes that took place, I'm</p> <p>8 not sure what the formal, documented bank approval</p> <p>9 procedure was for leases at that time.</p> <p>10 Q. Okay. What was it before the merger?</p> <p>11 A. Before the merger, the property manager</p> <p>12 would get the approval from the senior location</p> <p>13 manager and also from the trust advisor and then that</p> <p>14 would go to a formal trust administrative committee</p> <p>15 and it would be stamped approved to be put in the</p> <p>16 files with the lease.</p> <p>17 Q. And the merger that you're talking about,</p> <p>18 is that the merger with Bank One?</p> <p>19 A. Bank One, yes, sir.</p> <p>20 Q. And so, for 25 years or so that you've been</p> <p>21 in this business you would go through a committee</p> <p>22 structure as you just described as far as getting a</p> <p>23 lease approved?</p> <p>24 A. Yes.</p> <p>25 Q. And then after the merger you say you're</p>

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<p style="text-align: right;">Page 14</p> <p>1 not exactly sure --</p> <p>2 A. I'm not exactly sure what the policy was at</p> <p>3 the time that this took place to get the approvals.</p> <p>4 I just don't recall.</p> <p>5 Q. Okay. And the merger with Bank One</p> <p>6 occurred, what, in 2006; is that right?</p> <p>7 A. That -- somewhere in that area.</p> <p>8 Q. All right. And so, after that period --</p> <p>9 and you left in September 2008; is that correct?</p> <p>10 A. Yes, sir.</p> <p>11 Q. And why -- why did you leave?</p> <p>12 A. Just had a good opportunity that was</p> <p>13 presented to me.</p> <p>14 Q. Okay. You voluntarily left?</p> <p>15 A. Yes.</p> <p>16 Q. All right. And so, there was a period of</p> <p>17 time from the Bank One merger up until the time that</p> <p>18 you left where you're not clear what the review</p> <p>19 process was?</p> <p>20 A. I just -- I couldn't tell you what it was.</p> <p>21 If you had asked me as soon as I left, I could have</p> <p>22 told you. Five years, it's just something I haven't</p> <p>23 committed to memory.</p> <p>24 Q. Well, do you believe that there was a</p> <p>25 committee structure at that time?</p>	<p style="text-align: right;">Page 16</p> <p>1 with Petrohawk regarding about 16,900 acres.</p> <p>2 Do you see that?</p> <p>3 A. Yes, sir.</p> <p>4 Q. Have you seen this lease before before</p> <p>5 today?</p> <p>6 A. If I did, I don't recall.</p> <p>7 Q. Do you recall if you had any specific</p> <p>8 conversations with Pattie Ormond regarding this</p> <p>9 July 2008 lease?</p> <p>10 A. I don't recall specifics, but more than</p> <p>11 likely this would have been a topic of discussion on</p> <p>12 one of the weekly calls.</p> <p>13 Q. Well, let me -- let me get set in my mind</p> <p>14 here what your role was with the bank at that time.</p> <p>15 You -- you were working out of the</p> <p>16 Houston office, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And I'm talking about, say, the 2008 time</p> <p>19 period.</p> <p>20 A. I spent all my time here in Houston.</p> <p>21 Q. Okay. What was your role with JP Morgan in</p> <p>22 2008?</p> <p>23 A. 2008, I was a property manager and I</p> <p>24 reported to H.L. Tompkins, who was the Houston</p> <p>25 location manager.</p>
<p style="text-align: right;">Page 15</p> <p>1 A. I'm not sure if there was a committee, but</p> <p>2 there was some kind of -- I feel certain there was</p> <p>3 some type of formal approval process, documented</p> <p>4 approval process.</p> <p>5 Q. Do you recall if regarding these first two</p> <p>6 leases in May of 2008 whether banking days were</p> <p>7 discussed regarding the negotiation of those leases?</p> <p>8 A. Banking days?</p> <p>9 Q. Yes.</p> <p>10 A. Clarify that, please.</p> <p>11 Q. Are you not familiar with that term?</p> <p>12 A. I've heard of it, but I'm not quite sure</p> <p>13 how it's being used in this context.</p> <p>14 Q. Well, it's probably not important for my</p> <p>15 questions right now, so let me ask you about minimum</p> <p>16 royalty provisions.</p> <p>17 Do you know if that was discussed</p> <p>18 regarding these two leases?</p> <p>19 A. I don't recall.</p> <p>20 Q. All right. What about shut-in royalty</p> <p>21 payments? Do you know if that was discussed</p> <p>22 regarding these two leases?</p> <p>23 A. I don't recall.</p> <p>24 Q. Take a look at Exhibit 11 for me, please.</p> <p>25 This is the July 16th, 2008 lease that JP Morgan made</p>	<p style="text-align: right;">Page 17</p> <p>1 Q. You reported to H.L. Tompkins?</p> <p>2 A. Yes.</p> <p>3 Q. You didn't report to Dave Herford?</p> <p>4 A. No. H.L. reported to David.</p> <p>5 Q. Okay. So, H.L. was above you then?</p> <p>6 A. Yes.</p> <p>7 Q. All right. But did Pattie then report to</p> <p>8 you?</p> <p>9 A. No. She may have at one time. When she</p> <p>10 came to the bank, I was the location manager for</p> <p>11 Houston. We had some changes through the merger.</p> <p>12 The guy that was head of our oil and gas group was</p> <p>13 also our location manager. He was given a package.</p> <p>14 So, I became the location manager for Houston and I</p> <p>15 interviewed Pattie and recommended that they hire her</p> <p>16 and at a later point I asked that they find another</p> <p>17 location manager so that I could focus on being a</p> <p>18 property manager.</p> <p>19 Q. Okay.</p> <p>20 A. So --</p> <p>21 Q. And when you were the property manager in</p> <p>22 the 2008 time period, how many accounts were you</p> <p>23 managing?</p> <p>24 A. Oh, if I had to guess, 150 plus.</p> <p>25 Q. All right. And -- and so, was Stan -- or</p>

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<p style="text-align: right;">Page 18</p> <p>1 Steven Cranford there at any time that you were --</p> <p>2 A. Yes.</p> <p>3 Q. -- working there?</p> <p>4 A. Yes. From the time that we were acquired</p> <p>5 by Chase, Steve was at the bank at that time and when</p> <p>6 I moved over in the merger.</p> <p>7 Q. All right. And how -- what was your</p> <p>8 relationship with Cranford? Was that -- were you-all</p> <p>9 on the same plane or was he --</p> <p>10 A. We were when I first went to work there,</p> <p>11 but when Mark Langford left Steve was promoted up to</p> <p>12 the head of the oil and gas group for Chase. And so,</p> <p>13 he became my -- my boss.</p> <p>14 Q. Okay. And when did he leave, Cranford?</p> <p>15 A. I don't know the exact date, but it would</p> <p>16 have been before Pattie joined the bank. I would say</p> <p>17 probably six months or so prior to that.</p> <p>18 Q. Okay. And where did he go? Do you know?</p> <p>19 A. Independent.</p> <p>20 Q. And how did Shane Duvall fit into this</p> <p>21 management? When -- when was he involved with it?</p> <p>22 A. I can't tell you the dates, but probably</p> <p>23 when Steve went over to close the San Antonio office</p> <p>24 I think Shane inherited most of those San Antonio</p> <p>25 accounts.</p>	<p style="text-align: right;">Page 20</p> <p>1 Do you see that?</p> <p>2 A. Yes.</p> <p>3 Q. Now, did you have any involvement in the</p> <p>4 negotiation of this 2006 lease?</p> <p>5 A. If I did, it would have been the same as</p> <p>6 before, as a general discussion.</p> <p>7 Q. Okay. Do you see that it shows a primary</p> <p>8 term expiration date of July 25th, 2012, up in that</p> <p>9 top right-hand corner?</p> <p>10 A. Okay.</p> <p>11 Q. Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Six-year primary term is pretty unusual,</p> <p>14 isn't it?</p> <p>15 A. In most cases.</p> <p>16 Q. Did you have any involvement in the</p> <p>17 negotiation of this primary term being extended up to</p> <p>18 six years?</p> <p>19 MR. WILLIAMS: Objection. Form.</p> <p>20 A. I don't recall.</p> <p>21 Q. (BY MR. DROUGHT) Take a look at Exhibit 31</p> <p>22 for me.</p> <p>23 A. 31? Okay.</p> <p>24 Q. This is another Punt Oil Broad Oak lease.</p> <p>25 This one involves 1707 acres and shows an effective</p>
<p style="text-align: right;">Page 19</p> <p>1 Q. Who took -- who took your place after you</p> <p>2 left in September 2008?</p> <p>3 A. I don't believe they hired anybody.</p> <p>4 Q. And so, what happened to the hundred and</p> <p>5 some-odd accounts that you were managing?</p> <p>6 A. I guess they were divided up.</p> <p>7 Q. All right. Take a look at Exhibits 15, 17,</p> <p>8 and 19.</p> <p>9 A. 15, 17, and 19. Okay.</p> <p>10 Q. Okay. These are copies of the three</p> <p>11 December 12, 2008 leases with Petrohawk.</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. Now, by this time you would have</p> <p>15 already left JP Morgan, correct?</p> <p>16 A. Yes.</p> <p>17 Q. So, would it be fair to say that you did</p> <p>18 not have discussions with Pattie Ormond regarding</p> <p>19 these three leases?</p> <p>20 A. I feel that's a correct statement.</p> <p>21 Q. Take a look at Exhibit 30 for me.</p> <p>22 A. Okay.</p> <p>23 Q. This is a plat of a 3,094-acre Punt Oil</p> <p>24 Company Broad Oak lease. It shows an effective date</p> <p>25 of July 25th, 2006.</p>	<p style="text-align: right;">Page 21</p> <p>1 date of February 26, 2007.</p> <p>2 Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. And this one also provides for a six-year</p> <p>5 primary term; is that correct?</p> <p>6 A. Yes.</p> <p>7 Q. Do you recall any discussion about</p> <p>8 extending this primary term or this primary term</p> <p>9 extending out to 2013?</p> <p>10 A. I don't remember any exact discussions.</p> <p>11 Q. Okay. Take a look at Exhibit 34 for me,</p> <p>12 please.</p> <p>13 A. Okay.</p> <p>14 Q. This is a letter dated October 22nd, 2008.</p> <p>15 It's been signed by Petrohawk and by JP Morgan.</p> <p>16 Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. Have you seen this letter before?</p> <p>19 A. If I have, I don't recall.</p> <p>20 Q. Okay. Well, by October 2008 you would have</p> <p>21 no longer been with -- with JP Morgan, correct?</p> <p>22 A. Okay. You're right. Yes.</p> <p>23 Q. And do you recall the date that Petrohawk</p> <p>24 made the deal for the Discovery well public?</p> <p>25 A. Do I recall the date? No.</p>

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<p>1 Q. I think it's been pretty well proved that 2 it was either October 21st of 2008 or maybe the 22nd 3 of 2008. 4 Does that sound about right to you? 5 A. That's in the time frame, I would assume. 6 Q. Okay. We'll get to it in a little while, 7 but there's a document that will refresh your memory. 8 You -- you e-mailed Pattie. 9 A. I've seen that. I didn't realize -- I 10 didn't read it thoroughly and didn't realize that was 11 the Discovery well. 12 Q. Okay. 13 A. I did see that earlier today. I don't 14 recall sending it to her, but I'm not surprised 15 sending an article over here that I would share 16 information that I saw in Houston with her for one of 17 her accounts. 18 Q. So, you -- you would consider that as part 19 of your job as a mineral manager to be familiar with 20 what's going on in the oil and gas community? 21 A. That's what they are paying us to do. 22 Q. And you would look at things like the 23 business section of the paper and find out who's 24 drilling where and what? 25 A. That would be one source, yes.</p>	<p>1 Pattie? 2 A. I believe she reported to me at that time. 3 Q. All right. And at that time you were 4 reporting to H.L. Tompkins? 5 A. No. That would have been David Herford. 6 Q. Okay. 7 A. To be honest with you, I don't remember the 8 chain of command for -- for who Pattie reported to, 9 but there's a high probability it was through me. 10 Q. So, what occasioned the change of your 11 supervisor from being H.L. Tompkins to Dave Herford? 12 MR. WILLIAMS: Objection. Form. 13 A. Repeat it one more time, please. 14 Q. (BY MR. DROUGHT) I may have misunderstood 15 you. 16 MR. WILLIAMS: I think you've got it 17 backwards. 18 Q. (BY MR. DROUGHT) Okay. First you report to 19 Dave Herford, and then at a later time it was to H.L. 20 Tompkins? 21 A. Yes. When I was location manager, for the 22 period of time I was serving in that capacity I 23 reported directly to David Herford. 24 Q. Okay. 25 A. When H.L. was named as location manager, I</p>
Page 23	Page 25
<p>1 Q. Did you ever subscribe to or have an 2 occasion to look at Oil & Gas Investor Magazine? 3 A. I didn't spend a lot of time on Oil & Gas 4 Investor Magazine, no. 5 Q. This particular letter I'm showing you 6 that's Exhibit 34 is entitled Letter of Intent to 7 Recommend Leasing -- and you don't have to read the 8 whole thing, but in effect it's Pattie Ormond leasing 9 up the balance of the STS lands to Petrohawk the day 10 after the Discovery well. 11 Have you been told that, or do you 12 know that now? 13 A. No. Well, I do know now. 14 Q. So, you're just learning that by my 15 question, I guess; is that correct? 16 A. Yes. 17 Q. Okay. Turn to Exhibit 58A, please. 18 A. 58A? Okay. 19 Q. This is correction -- well, it's an 20 amendment of an oil and gas lease with -- with -- it 21 was originally with Texas Lone Star Petroleum. 22 Do you see that? 23 A. Yes. 24 Q. 676 acres. This was occurring in November 25 of 2006. At that point in time were you supervising</p>	<p>1 reported directly to H.L. 2 Q. And where was H.L. performing his duties 3 prior to becoming location manager? 4 A. He was hired by the bank from another 5 company. 6 Q. Okay. Take a look at Exhibit 58B for me, 7 please. Do you see this one's entitled Second 8 Amendment of Oil and Gas Lease? 9 A. Yes. 10 Q. And this is dated August 8, 2007. Do you 11 see that? 12 A. Yes. 13 Q. Do you recall if you had any discussions 14 with Pattie regarding this second amendment, this 15 Exhibit 58B? 16 A. Like a lot of these others before, there 17 probably were discussions but I can't recall exact 18 discussions regarding this document. 19 Q. All right. Take a look at 58C. It's 20 entitled Third Amendment of Oil and Gas Lease. It's 21 dated March 5th, 2008. 22 Do you recall any discussions with 23 Pattie Ormond regarding the negotiation of this 24 amendment? 25 A. Not particular discussions for this</p>

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<p>1 document.</p> <p>2 Q. Take a look at Exhibit 58D. This is</p> <p>3 entitled Fourth Amendment of Oil and Gas Lease, and</p> <p>4 it's July 16th, 2009.</p> <p>5 So, that would have been after you</p> <p>6 were gone, correct?</p> <p>7 A. Correct.</p> <p>8 Q. So, you wouldn't have any recollection of</p> <p>9 this one, correct?</p> <p>10 A. Correct, yes.</p> <p>11 Q. All right. Go to Exhibit 59.</p> <p>12 A. Okay.</p> <p>13 Q. This is an oil and gas lease dated</p> <p>14 July 25th, 2006 with Broad Oak involving 4224 acres.</p> <p>15 Do you recall any specific discussions</p> <p>16 with Pattie regarding this lease?</p> <p>17 A. I do not recall specific discussions.</p> <p>18 Q. Do you recall when it was that Pattie was</p> <p>19 hired by JP Morgan?</p> <p>20 A. I believe it was sometime in 2005 or 2006.</p> <p>21 Q. I've seen October 2005. Is that --</p> <p>22 A. That -- that might be correct.</p> <p>23 Q. All right. Take a look at oil and gas</p> <p>24 lease -- that's been marked as Exhibit 61. This is</p> <p>25 another Broad Oak lease.</p>	<p>1 documented any way?</p> <p>2 A. If it was through a formal committee or</p> <p>3 through e-mails possibly. But as far as documented</p> <p>4 any way other than that, I don't think so.</p> <p>5 Q. Well, did the mineral managers have set</p> <p>6 monthly or other scheduled meetings to discuss things</p> <p>7 when you were working there?</p> <p>8 A. I believe they were weekly calls, and I'm</p> <p>9 not sure how those -- I just don't recall how those</p> <p>10 were -- were documented, what the process was at that</p> <p>11 time.</p> <p>12 Q. Do you recall if there was any agendas</p> <p>13 prepared for these meetings?</p> <p>14 A. I don't remember exactly how they were</p> <p>15 handled.</p> <p>16 Q. Do you remember if any minutes were made at</p> <p>17 these meetings?</p> <p>18 A. I don't believe so, but I can't say for</p> <p>19 sure.</p> <p>20 Q. All right. Take a look at Exhibit 62A.</p> <p>21 Are you there?</p> <p>22 A. Yes, sir.</p> <p>23 Q. Okay. This is another Broad Oak lease --</p> <p>24 or actually it's an amendment, and it's dated after</p> <p>25 the time that you had already left.</p>
Page 27	Page 29
<p>1 A. Okay.</p> <p>2 Q. This one's 3,094 acres and dated July 25th,</p> <p>3 2006.</p> <p>4 A. Okay.</p> <p>5 Q. Do you recall any specific discussions with</p> <p>6 Pattie Ormond regarding this particular lease?</p> <p>7 A. I'm sure it was discussed, but I don't</p> <p>8 recall particular discussions.</p> <p>9 Q. When you say that "I'm sure it was</p> <p>10 discussed," would that -- would that have been a</p> <p>11 face-to-face meeting?</p> <p>12 A. Possibly if she had come over here to</p> <p>13 Houston, or it could have been through a conversation</p> <p>14 on the phone that "This lease is being proposed and</p> <p>15 what does everyone think about it and here's my</p> <p>16 thoughts on it and here's what I found out through my</p> <p>17 due diligence and this is what I would propose that</p> <p>18 we do."</p> <p>19 MR. DROUGHT: Okay. Object to the</p> <p>20 nonresponsive part.</p> <p>21 Q. (BY MR. DROUGHT) My question was: Did you</p> <p>22 meet with her in person? And the answer is "I might</p> <p>23 have"?</p> <p>24 A. I don't recall if I did or not.</p> <p>25 Q. Okay. Were these discussions with Pattie</p>	<p>1 So, you wouldn't have any knowledge</p> <p>2 about this one?</p> <p>3 A. No.</p> <p>4 Q. Take a look at Exhibit 73 for me.</p> <p>5 A. 73? Okay.</p> <p>6 Q. This is a letter from Pioneer dated</p> <p>7 August 1, 2007, addressed to Pattie Ormond.</p> <p>8 Do you -- taking a look at this, do</p> <p>9 you have any recollection of this letter or the</p> <p>10 subject matter involved?</p> <p>11 A. I believe the subject matter was making a</p> <p>12 best effort at trying to get some of the old leases</p> <p>13 re-leased.</p> <p>14 Q. All right. And did you have any</p> <p>15 discussions with Pattie Ormond about the need or</p> <p>16 advisability of JP Morgan getting land released from</p> <p>17 Pioneer?</p> <p>18 A. I believe Pattie went through those files</p> <p>19 very thoroughly and came up with a lease summary and</p> <p>20 recommended that we obtain partial releases if</p> <p>21 possible for any outside acreage or deep rights.</p> <p>22 Q. And that would have been sometime before</p> <p>23 this August 21st, 2007 letter?</p> <p>24 A. I'm assuming so.</p> <p>25 Q. Because this is basically saying -- well,</p>

8 (Pages 26 to 29)

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<p>1 actually, it says, "In reference to your letter of 2 May 2nd, 2007, Pioneer feels that it effectively 3 developed" -- so, I'm assuming that Pattie Ormond or 4 somebody had sent a letter to somebody at Pioneer -- 5 A. I believe she notified all the -- all the 6 operators out there that had leases where it appeared 7 there was an opportunity for releasing part of the 8 acreage. 9 Q. Okay. So what did JP Morgan do when it got 10 this letter in August 2007 saying, essentially, that 11 Pioneer is not going to release any acreage? 12 A. I can't tell you what exactly was said, but 13 I'm sure there was discussions about "are there any 14 other options." 15 Q. And do you recall if JP Morgan exercised 16 any other options? 17 A. I don't recall. 18 Q. Okay. Take a look at Exhibit 115 for me, 19 please. This one I only have in here because it 20 gives the date of October 2005 and says that Pattie 21 joined JP Morgan and she's reporting to you. 22 A. Okay. 23 Q. So, that pins that down, doesn't it? 24 A. Yes. 25 Q. Take a look at Exhibit 145 for me, please.</p>	<p>1 should be there. 2 A. Okay. 3 Q. This exhibit has been marked 611 previously 4 and it says Oil, Gas and Mineral Policy Manual and 5 it's Policy No. 900.050. 6 Do you see that up at the top? 7 A. Yes. 8 Q. And the subject is Mineral Leasing? 9 A. Yes. 10 Q. And it -- it says this was issued in 1998 11 and it was revised in 2007. 12 Do you remember this particular policy 13 manual? I mean, this policy as we're looking at it 14 right now. 15 A. I'm assuming this is what was in place at 16 that time. 17 Q. And do you see where this one says that 18 acceptance of a lease agreement will require the 19 approval of the mineral manager and senior mineral 20 manager or, if unavailable, at least two mineral 21 managers? 22 A. Yes. 23 Q. Was that your understanding of the policy 24 when you were there in the time period of 2006, 2008? 25 A. With this in front of me, that should have</p>
Page 31	Page 33
<p>1 A. 145? Okay. 2 Q. Yes, sir. This -- actually, turn to the 3 second page of that. 4 Were you familiar with the oil and gas 5 mineral policy manual when you were working for JP 6 Morgan? 7 A. I should have been. 8 Q. Were you? 9 A. I'll say that I knew what we were supposed 10 to do. You may have to refer back for particular 11 things to -- I mean, that was the whole purpose, was 12 to have something to refer back to. If you ask me to 13 stand up and repeat it, I couldn't do it, but I knew 14 what we were responsible for. 15 Q. And what was that? 16 A. To follow what was set out in the policies 17 and guidelines of the bank manual. 18 Q. But you're unsure what those policies and 19 guidelines are? 20 A. Well, I mean, there were there for us to 21 follow. I can't tell you verbatim what they all were 22 at that time. 23 Q. Okay. Well, take a look at -- this is 24 going to be buried further down, but I think it's 25 Exhibit 611. It's in your stack somewhere, but it</p>	<p>1 been the guidelines we were working under. 2 Q. All right. And I'll get back to that in a 3 minute. Let me ask you some questions about this 4 Exhibit 145 that I previously showed you. If you 5 turn to the second page -- 6 A. Okay. 7 Q. In one of those bullets in there it says, 8 "Leases with bonus payments and/or that include 9 200 acres or more approval of estates -- of the trust 10 and estates oil and gas committee." 11 Do you see that? 12 A. Yes. 13 Q. And is it your understanding that in the 14 2008 time period there was not a trust and estates 15 oil and gas committee? 16 A. As I mentioned a while ago, I don't recall 17 the exact structure that was in place. 18 Q. Take a look at Exhibit 154 for me, please. 19 Are you there? 20 A. Yes. 21 Q. Okay. This is an e-mail going back and 22 forth between Aaron Reeber -- did you know Aaron 23 Reeber? 24 A. Yes, I knew Aaron. 25 Q. Did you ever work under him?</p>

9 (Pages 30 to 33)

Page 34	Page 36
<p>1 A. Never worked under him, no.</p> <p>2 Q. How did you know him?</p> <p>3 A. He was, I believe, the leader for the small</p> <p>4 business group.</p> <p>5 Q. For JP Morgan?</p> <p>6 A. Yes.</p> <p>7 Q. And --</p> <p>8 A. Closely-held group. Sorry.</p> <p>9 Q. You see the subject of this one is Future</p> <p>10 Plans for STS? Do you see that there on the subject</p> <p>11 line? It's right at the top.</p> <p>12 A. Okay. Yes, uh-huh.</p> <p>13 Q. And this is an e-mail dated December 17th,</p> <p>14 2009, which would have been after you left, correct?</p> <p>15 A. Yes.</p> <p>16 Q. But one of the things discussed in this</p> <p>17 particular e-mail is whether to sell mineral</p> <p>18 interests, distribute the proceeds, and collapse the</p> <p>19 trust.</p> <p>20 Do you see where that's written there?</p> <p>21 A. Yes, highlighted.</p> <p>22 Q. During the time when -- when Pattie first</p> <p>23 came on in October 2005, did you ever instruct her to</p> <p>24 liquidate the trust or to sell the trust or to</p> <p>25 distribute the assets?</p>	<p>1 A. No.</p> <p>2 Q. Mr. Crow, take a look at Exhibit 411,</p> <p>3 please.</p> <p>4 A. 411?</p> <p>5 Q. Yes. This is an annual report to the</p> <p>6 beneficiaries.</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And this one says 2006 on it. But if you</p> <p>10 turn to the second page, it was actually distributed</p> <p>11 to the beneficiaries in June of 2007.</p> <p>12 A. Okay.</p> <p>13 Q. My only question on this is -- well, first,</p> <p>14 have you ever seen this annual report before?</p> <p>15 A. I may have, but I don't recall.</p> <p>16 Q. Okay. Did you have any input in preparing</p> <p>17 this report? And if so, what part would you have</p> <p>18 prepared?</p> <p>19 A. (Witness reviews the document.) I don't</p> <p>20 see anything in here that I believe I would have been</p> <p>21 responsible for.</p> <p>22 Q. All right. Turn to Exhibit 429 for me,</p> <p>23 please.</p> <p>24 A. 429? Okay.</p> <p>25 Q. This is dated May 13th, 2008. You would</p>
Page 35	Page 37
<p>1 A. That wouldn't have been our decision. So,</p> <p>2 the answer would be no.</p> <p>3 Q. Do you recall any -- anybody in the JP</p> <p>4 Morgan chain of command directing Pattie or</p> <p>5 instructing Pattie to begin work on liquidating the</p> <p>6 trust?</p> <p>7 A. I don't recall that.</p> <p>8 Q. Do you recall that subject coming up at all</p> <p>9 during the 2006, 2008 time period?</p> <p>10 A. If there were discussions, I do not recall</p> <p>11 them.</p> <p>12 Q. If -- if Pattie said that somebody at JP</p> <p>13 Morgan instructed her to dismantle or sell the trust</p> <p>14 or to shut it down and it wasn't you, who -- who else</p> <p>15 could that have been, if anybody?</p> <p>16 MR. WILLIAMS: Objection. Form.</p> <p>17 A. The basic structure is the trust</p> <p>18 administrator. So, they are basically in charge of</p> <p>19 most decisions regarding the trust itself and the</p> <p>20 mineral property managers were responsible for</p> <p>21 managing the mineral assets owned by the trust, but</p> <p>22 that would have been at a different level through a</p> <p>23 different group than the oil and gas group.</p> <p>24 Q. (BY MR. DROUGHT) It wouldn't have come</p> <p>25 through you at any rate. Right?</p>	<p>1 have still been with JP Morgan at that time. It's a</p> <p>2 memo from Pattie to the South Texas Syndicate Trust</p> <p>3 beneficiaries.</p> <p>4 Do you see that?</p> <p>5 A. Yes, sir.</p> <p>6 Q. My question here is: Did you approve --</p> <p>7 review and approve this memo before it went out to</p> <p>8 the beneficiaries?</p> <p>9 A. I don't believe I would have.</p> <p>10 Q. All right. The other thing I see here in</p> <p>11 that last paragraph, it says, "Al Leach, your</p> <p>12 fiduciary officer since 2003, is leaving the firm</p> <p>13 next month."</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. Did you know Al Leach?</p> <p>17 A. I met him. I didn't work with him on a</p> <p>18 regular basis.</p> <p>19 Q. Okay. The -- did you office in the same</p> <p>20 building with Mr. Leach?</p> <p>21 A. No. He was in the San Antonio office.</p> <p>22 Q. I see. And was he the person that came</p> <p>23 after John Flannery?</p> <p>24 A. Actually, he may have been there with John</p> <p>25 Flannery. John Flannery was an oil and gas manager</p>

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Page 38	Page 40
<p>1 and real estate manager and Al Leach was a trust 2 administrator. So, Al would have handled 3 administration of the trust and John would have 4 handled the oil and gas assets, but I don't know if 5 Al -- I'm making the assumption that Al was the 6 assigned administrator. I don't know that for a 7 fact. 8 Q. Did you know John Flannery? 9 A. Yes, I did. 10 Q. How did you know him. 11 A. I worked with John from, like, 1985 12 forward. He worked for M Bank. So, he was our 13 San Antonio office when we merged with -- when the M 14 Banks were formed. 15 Q. And was Mr. Flannery a fiduciary officer or 16 a mineral manager or both? 17 A. Mineral manager. 18 Q. Okay. And who would have been the 19 fiduciary officer then? 20 A. I don't recall. 21 Q. It could have been Al Leach? 22 A. It could have been. 23 Q. Take a look at Exhibit 493. 24 A. Okay. 25 Q. This is a -- a letter dated August 10th,</p>	<p>1 March 20th, 2008 to Buehler. 2 Do you see that? 3 A. Yes. 4 Q. And I don't see that you're copied on this, 5 but it starts off by saying that "Petrohawk is coming 6 in next Thursday to talk about leasing option -- 7 option, the deep prospects." 8 Do you see that? 9 A. Yes. 10 Q. Did you attend that meeting? 11 A. I don't recall attending any of the 12 meetings regarding the South Texas leases. 13 Q. Did you know -- based on your recollection 14 right now, did you know that Pattie was setting up 15 this meeting with Petrohawk to talk about this lease? 16 A. I'm guessing it was discussed in one of the 17 mineral manager meetings. I don't recall specifics, 18 but this would be the nature of something that would 19 have been discussed. 20 Q. And do you recall ever giving any advice -- 21 any specific advice to Pattie Ormond about any of 22 these Petrohawk leases? 23 A. Advise or consultation? Consultation, 24 probably on ideas, things maybe to talk about to do, 25 but it would be the same input that anybody else</p>
Page 39	Page 41
<p>1 2006, JP Morgan, signed by Pattie to Robert Buehler. 2 Did you know Robert Buehler? 3 A. I believe I met him. 4 Q. Were you involved in the negotiations 5 involving this consulting agreement? 6 A. Directly, I do not believe so. 7 Q. And I'm not clear in my mind at what time 8 Pattie no longer reported to you but reported to 9 somebody else. 10 Can you help me out by maybe looking 11 at this date? 12 A. It would be when H.L. Tompkins was hired. 13 So, I'm assuming it was after this date. 14 Q. So, H.L. Tompkins came in and he became the 15 location manager in Houston and you were reporting to 16 him. Right? 17 A. Correct. 18 Q. And Pattie then was reporting to who? 19 A. I don't know if she reported -- I don't 20 recall if she reported to H.L. or if she reported 21 directly to David Herford. I believe she reported 22 directly to David Herford. 23 Q. Take a look at Exhibit 506 for me, please. 24 A. Okay. 25 Q. This is an e-mail from Pattie Ormond dated</p>	<p>1 would have had that she would have contacted in the 2 bank to get some direction, some assistance, some 3 feedback. 4 Q. Do you remember any specific consultations 5 that you would have assisted Pattie on? 6 A. I know that we talked about different 7 things. And because of the size of this interest, I 8 feel certain there were some discussions, but I don't 9 recall specifics and details. 10 Q. Look at Exhibit 509 for me, please. Do you 11 see that this is a JP Morgan document that says at 12 the top North American Equity Research, March 2008? 13 A. Yes. 14 Q. And it's talking about the Haynesville 15 shale. Do you see that? 16 A. Yes. 17 Q. In -- in March of 2008 were you familiar 18 with the Haynesville shale? 19 A. Yes. 20 Q. Were you familiar with the rapid increases 21 in bonuses that were occurring in the Haynesville 22 shale back in that 2008 time period? 23 A. Yes. 24 Q. And what -- how did you have knowledge of 25 the Haynesville shale?</p>

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<p style="text-align: right;">Page 42</p> <p>1 A. We had clients that were involved, and plus</p> <p>2 it was the big news item in all the oil and gas</p> <p>3 magazines.</p> <p>4 Q. And did you know that Petrohawk was one of</p> <p>5 the major players in the Haynesville shale?</p> <p>6 A. I feel certain I was aware of that.</p> <p>7 Q. And these other clients that you had in the</p> <p>8 Haynesville shale, did they get to take advantage, to</p> <p>9 your recollection, of any of these increasing bonuses</p> <p>10 that were occurring?</p> <p>11 A. I'm not sure my mineral portfolio had much</p> <p>12 up in East Texas, but I know that we had accounts up</p> <p>13 in East Texas that had some good leases.</p> <p>14 Q. What -- what do you recall the highest</p> <p>15 bonuses being that you-all were negotiating in the</p> <p>16 Haynesville shale?</p> <p>17 A. I know they were on the positive side of 10</p> <p>18 probably.</p> <p>19 Q. 10,000; is that right?</p> <p>20 A. Maybe I'm getting that confused with</p> <p>21 Barnett, but it was extremely more than what had been</p> <p>22 paid for typical oil and gas work in years past.</p> <p>23 Q. And this was something that you were aware</p> <p>24 of in -- in early 2008, correct?</p> <p>25 A. The Haynesville?</p>	<p style="text-align: right;">Page 44</p> <p>1 it.</p> <p>2 Q. And would a letter like this be something</p> <p>3 that would have to be run by -- I guess that's not</p> <p>4 the correct terminology, but reviewed by another</p> <p>5 mineral manager to -- before signing off on this?</p> <p>6 A. I would assume this would be the type of</p> <p>7 information that would have been discussed through</p> <p>8 whatever forum was in place at that time.</p> <p>9 Q. Well --</p> <p>10 A. I don't recall.</p> <p>11 Q. I mean, just looking at this letter right</p> <p>12 now, it's just got Ms. Ormond's signature on it.</p> <p>13 Is it your understanding that before</p> <p>14 she could sign this letter she would have to get the</p> <p>15 approval of another mineral manager or somebody or</p> <p>16 could she just do that on her own?</p> <p>17 MR. WILLIAMS: Objection. Form.</p> <p>18 A. I'm sure there was some procedure in place</p> <p>19 for acceptance.</p> <p>20 Q. (BY MR. DROUGHT) So, you think that</p> <p>21 somebody else would have had to have approved this</p> <p>22 letter before she signed it?</p> <p>23 MR. WILLIAMS: Objection. Form.</p> <p>24 A. I'm not sure about approval, but I'm sure</p> <p>25 it was discussed. I just don't know the format or</p>
<p style="text-align: right;">Page 43</p> <p>1 Q. Yes.</p> <p>2 A. Yes.</p> <p>3 Q. Do you recall ever having any discussions</p> <p>4 with Pattie about, "Hey, this -- we have a major</p> <p>5 shale player coming in in Petrohawk. Maybe we ought</p> <p>6 to be thinking about upping the bonus" or anything?</p> <p>7 Did you have any discussions with her</p> <p>8 about that on these subsequent leases that we talked</p> <p>9 about?</p> <p>10 A. I don't recall the specifics of the</p> <p>11 conversations, but I'm sure that the lease terms were</p> <p>12 discussed.</p> <p>13 Q. Take a look at Exhibit 511 for me, please.</p> <p>14 A. Okay.</p> <p>15 Q. This is a May 13th, 2008 letter signed by</p> <p>16 Betty -- or by Patricia Ormond to Petrohawk, and</p> <p>17 it's -- says Agreement to Recommend Leasing.</p> <p>18 Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. And this involved those -- those first two</p> <p>21 May leases. Do you see that?</p> <p>22 A. Yes, sir.</p> <p>23 Q. And do you -- do you recall ever seeing</p> <p>24 this letter before?</p> <p>25 A. I may have seen it. I don't recall seeing</p>	<p style="text-align: right;">Page 45</p> <p>1 the forum that was used at that time.</p> <p>2 Q. (BY MR. DROUGHT) Take a look at Exhibit 514</p> <p>3 for me, please.</p> <p>4 A. Okay.</p> <p>5 Q. This is an e-mail from Stan Kuddo. Do you</p> <p>6 know Stan Kuddo?</p> <p>7 A. Worked with him, but not on this particular</p> <p>8 matter.</p> <p>9 Q. Do you see in that last line he's saying,</p> <p>10 "My management has asked me if I can work with you to</p> <p>11 get the Mullin lease closed within three weeks."</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. And "Will you please call and let me know</p> <p>15 if this is possible?" Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. And then take a look at Exhibit 515.</p> <p>18 It should be your next one.</p> <p>19 A. Okay.</p> <p>20 Q. This is Pattie Ormond to Mr. Buehler dated</p> <p>21 June 11th, 2008, and do you see where Petrohawk was</p> <p>22 calling at 7:00 in the morning and wants the rest of</p> <p>23 the STS?</p> <p>24 A. Yes.</p> <p>25 Q. Did you know or get the sense that -- well,</p>

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<p style="text-align: right;">Page 46</p> <p>1 first let me ask you this.</p> <p>2 Did you know that Petrohawk was</p> <p>3 interested in acquiring all of the STS tracts back in</p> <p>4 the 2008 time period?</p> <p>5 A. I don't recall the specifics. I just know</p> <p>6 that there was a lot of lease activity going on.</p> <p>7 Q. Okay. Did you know that -- that Petrohawk</p> <p>8 was -- was pushing Pattie to hurry up and get these</p> <p>9 leases signed?</p> <p>10 A. I don't recall that.</p> <p>11 Q. Take a look at -- did you --</p> <p>12 A. Which exhibit are we on?</p> <p>13 Q. Well, I just kind of had a question pop in</p> <p>14 my head here.</p> <p>15 Did you have any awareness of any</p> <p>16 confidentiality that Petrohawk wanted to maintain</p> <p>17 regarding the leasing activity of the STS tracts in</p> <p>18 2008?</p> <p>19 A. I don't recall that.</p> <p>20 Q. Take a look at 5 -- Exhibit 524. I think</p> <p>21 it's one down from where you were.</p> <p>22 A. Okay.</p> <p>23 Q. Do you see in this paragraph that's</p> <p>24 highlighted they are talking about, "I suspect that</p> <p>25 we will be reporting the memo by the end of the</p>	<p style="text-align: right;">Page 48</p> <p>1 A. Yes, sir.</p> <p>2 Q. But do you see where she says in that third</p> <p>3 paragraph, "I am underwater and do not have the staff</p> <p>4 I need to address the many leases and drilling</p> <p>5 initiatives"?</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And she says, "I'm just simply trying to</p> <p>9 put out fires."</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. All right. Were you aware that in the --</p> <p>13 this time period of, say, the year 2008 that Pattie</p> <p>14 was complaining about she was overworked and</p> <p>15 understaffed?</p> <p>16 MR. WILLIAMS: Objection. Form.</p> <p>17 A. I'm sure there were conversations regarding</p> <p>18 that.</p> <p>19 Q. (BY MR. DROUGHT) Okay. Did she ever tell</p> <p>20 you that? Do you recall any conversations with you</p> <p>21 about --</p> <p>22 A. I don't recall specifics, but I'm sure it's</p> <p>23 the general nature of "need some assistance."</p> <p>24 Q. Yeah. Did you ever recommend to your</p> <p>25 supervisors that "We need to give Pattie some more</p>
<p style="text-align: right;">Page 47</p> <p>1 year." I believe they are talking about the</p> <p>2 memorandum of lease. And it goes on to say, "So by,</p> <p>3 then it won't matter who knows Petrohawk is</p> <p>4 involved."</p> <p>5 Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. Were you aware that Petrohawk was</p> <p>8 interested in keeping its involvement in its leasing</p> <p>9 activity in the STS confidential?</p> <p>10 A. No, but it wouldn't surprise me.</p> <p>11 Q. Well, do you know if Pattie was agreeing</p> <p>12 with Petrohawk to keep the leasing activity that she</p> <p>13 was doing with Petrohawk confidential?</p> <p>14 A. I don't recall that.</p> <p>15 Q. Take a look at Exhibit 525 for me, please.</p> <p>16 A. Okay.</p> <p>17 Q. This is an e-mail from -- from Pattie to</p> <p>18 Stan Kuddo, and it's dated September 12th, 2008.</p> <p>19 Do you remember which date it was in</p> <p>20 September you left?</p> <p>21 A. September 11th.</p> <p>22 Q. That's a noteworthy day, isn't it?</p> <p>23 A. Yes.</p> <p>24 Q. All right. So, this would have been the</p> <p>25 day after you left?</p>	<p style="text-align: right;">Page 49</p> <p>1 assistance"?</p> <p>2 A. I wouldn't have been the one to make the</p> <p>3 call at this particular time, but I believe an</p> <p>4 assistant was hired at some point when she went over</p> <p>5 there initially to begin with on her own.</p> <p>6 Q. All right. Well, my question is, you know,</p> <p>7 while you were with JP Morgan did you ever go to your</p> <p>8 supervisor and say, "We need to give Pattie more help</p> <p>9 to -- to do her job"?</p> <p>10 A. If she reported to me, I probably would</p> <p>11 have initiated a request to open a position in</p> <p>12 San Antonio through requesting David Herford to fund</p> <p>13 that so that we could hire someone if it was during</p> <p>14 my time frame.</p> <p>15 Q. Okay. But you don't recall --</p> <p>16 A. I don't -- I don't recall.</p> <p>17 Q. Okay. Turn to 527. This is the e-mail I</p> <p>18 think that you probably saw earlier today.</p> <p>19 A. Yes.</p> <p>20 Q. Is that correct?</p> <p>21 A. Yes.</p> <p>22 Q. And at the bottom you say, "Pattie, I</p> <p>23 thought you might enjoy seeing the attached article</p> <p>24 from the front page of the business section of</p> <p>25 today's Houston Chronicle regarding Petrohawk eager</p>

13 (Pages 46 to 49)

<p style="text-align: right;">Page 50</p> <p>1 for Discovery."</p> <p>2 So, you saw that article and sent it</p> <p>3 to Pattie Ormond in -- on October 22nd, 2008,</p> <p>4 correct?</p> <p>5 A. Yes, uh-huh.</p> <p>6 Q. And this was before Ms. Ormond signed the</p> <p>7 December 2008 Petrohawk leases; is that correct?</p> <p>8 A. I don't know when they were signed, but I</p> <p>9 would assume so.</p> <p>10 Q. Well, I think they were 15 -- Exhibits 15,</p> <p>11 17, and 19.</p> <p>12 A. It was December, yes, uh-huh.</p> <p>13 Q. And do you see where it says up there in</p> <p>14 her response, "They were here today," referring to</p> <p>15 Petrohawk. "We leased the last 37,000 acres to them</p> <p>16 today."</p> <p>17 Do you see where it says that?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall having any discussions with</p> <p>20 Pattie about leasing up the rest of the STS tracts to</p> <p>21 Petrohawk?</p> <p>22 A. No, I do not.</p> <p>23 Q. Talk a look at Exhibit 616 for me. It's</p> <p>24 down several, I believe.</p> <p>25 A. Okay.</p>	<p style="text-align: right;">Page 52</p> <p>1 A. I don't recall using that as a resource.</p> <p>2 Q. But did you look at it occasionally anyhow?</p> <p>3 A. I'm not sure I've ever been out on that</p> <p>4 website.</p> <p>5 Q. Turn to Exhibit 618 for me, please.</p> <p>6 A. Okay.</p> <p>7 Q. This one is an article from Oil & Gas</p> <p>8 Investor. If you look up at the top, it's talking</p> <p>9 about the Haynesville and it's -- it's in July of</p> <p>10 2008. And about halfway down it says, "JP Morgan</p> <p>11 research Joe Alman calculates the play is paying</p> <p>12 27,000 per acre."</p> <p>13 Do you see where I'm reading from?</p> <p>14 A. Yes, uh-huh.</p> <p>15 Q. And did you know Mr. Joe Alman?</p> <p>16 A. No.</p> <p>17 Q. And I take it you -- you don't recall</p> <p>18 seeing this article when it came out in July of 2008?</p> <p>19 A. I don't recall seeing it, but --</p> <p>20 Q. But you were aware that there was a lot of</p> <p>21 activity regarding bonus -- bonuses increasing in the</p> <p>22 Haynesville in this time period, correct?</p> <p>23 MR. WILLIAMS: Objection. Form.</p> <p>24 A. Yes.</p> <p>25 Q. (BY MR. DROUGHT) Pardon me?</p>
<p style="text-align: right;">Page 51</p> <p>1 Q. You see that this is a JP Morgan document?</p> <p>2 A. Yes.</p> <p>3 Q. And this one is from the Natural Resources</p> <p>4 Investment Banking Group.</p> <p>5 Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. You were aware, weren't you, that back in</p> <p>8 the 2008 time period JP Morgan had a branch that</p> <p>9 reviewed oil and gas investment banking matters and</p> <p>10 had clients that were in the oil and gas industry on</p> <p>11 a global basis? Were you aware of that?</p> <p>12 A. I'm aware that they had an investment</p> <p>13 banking group, yes.</p> <p>14 Q. Did you ever have any contact with the</p> <p>15 investment banking group while you were working with</p> <p>16 JP Morgan?</p> <p>17 A. Not that I recall.</p> <p>18 Q. Did you ever receive any brochures or</p> <p>19 documents or any kind of publications from the</p> <p>20 investment banking group while you were working for</p> <p>21 JP Morgan?</p> <p>22 A. I don't believe so.</p> <p>23 Q. Did you ever tap into their -- their web</p> <p>24 page to review what was going on in the investment</p> <p>25 banking side while you were working JP Morgan?</p>	<p style="text-align: right;">Page 53</p> <p>1 A. We kept our pulse on things or tried to the</p> <p>2 best we could.</p> <p>3 Q. Okay. Take a look at Exhibit 619 for me.</p> <p>4 This is -- this is a July 2008 article from Oil & Gas</p> <p>5 Investor again. This one is about the Haynesville,</p> <p>6 and it says, "Do I hear 50,000 an acre?"</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And down towards the middle do you see</p> <p>10 where there's articles that were written like Shales</p> <p>11 Gone Wild and Shale Gas Play -- Play By Play?</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. And this is just more documentation that</p> <p>15 was out in the public arena regarding what was</p> <p>16 happening in the Haynesville during that time period;</p> <p>17 is that right?</p> <p>18 A. Correct.</p> <p>19 Q. And take a look at Exhibit 620 for me. Are</p> <p>20 you there?</p> <p>21 A. Yes, sir.</p> <p>22 Q. This one is another article in 2008, and</p> <p>23 it's talking about who are the shale gas players and</p> <p>24 where.</p> <p>25 Do you see that?</p>

14 (Pages 50 to 53)

<p style="text-align: right;">Page 54</p> <p>1 A. Yes.</p> <p>2 Q. And I won't read them all, but do you see</p> <p>3 it lists at least a dozen companies that are involved</p> <p>4 in the shale play?</p> <p>5 A. I do.</p> <p>6 Q. And were you familiar that -- that</p> <p>7 companies like Chesapeake and BP and Newfield and XTO</p> <p>8 and Shell and these other companies were involved in</p> <p>9 the shale playback in 2008?</p> <p>10 A. I'm sure we were because we would have been</p> <p>11 involved with them on leases in the Barnett shale and</p> <p>12 Haynesville shale and Marcellus.</p> <p>13 Q. Okay. Take a look at Exhibit 625 for me,</p> <p>14 please. This is actually an e-mail from Pattie to</p> <p>15 you dated May 13th, 2008.</p> <p>16 A. Right.</p> <p>17 Q. Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And this -- where it says, "Thanks again</p> <p>20 for well committee language." So, this is where you</p> <p>21 would have given her some language about the lease.</p> <p>22 Right?</p> <p>23 A. She had probably requested if we had done</p> <p>24 other leases where we had changed a provision, and I</p> <p>25 probably sent her an example of what we had used in a</p>	<p style="text-align: right;">Page 56</p> <p>1 A. Was it while I was there?</p> <p>2 Q. Yeah.</p> <p>3 A. Then I'm sure that there were discussions</p> <p>4 on it.</p> <p>5 Q. You don't recall -- do you know what I'm</p> <p>6 talking about right now, the tract I'm talking about?</p> <p>7 A. I don't recall the specifics.</p> <p>8 Q. Okay. In that particular lease, Ms. Ormond</p> <p>9 granted an option on roughly 9700 acres and -- but if</p> <p>10 they exercised the option, they were going to have to</p> <p>11 take it one-fourths or 2500 acres each.</p> <p>12 Does that ring a bell with you?</p> <p>13 A. That sounds like a reasonable plan.</p> <p>14 Q. Right. So, do you -- do you have any</p> <p>15 explanation why Pattie would not have followed that</p> <p>16 plan that she executed with Whittier and BlackBrush</p> <p>17 when she was now negotiating with Petrohawk?</p> <p>18 A. I don't know the specifics. Again, I can</p> <p>19 just speculate.</p> <p>20 Q. All right. All right. Take a look at</p> <p>21 Exhibit 626 for me, please. My question here -- and</p> <p>22 this is, again, a couple of weeks after you left, but</p> <p>23 she says in that first paragraph, "I had to finish my</p> <p>24 month-end administrative reports."</p> <p>25 Do you see that?</p>
<p style="text-align: right;">Page 55</p> <p>1 prior lease.</p> <p>2 Q. And you see where she says, "I violated my</p> <p>3 rule against big leases"?</p> <p>4 A. Yes.</p> <p>5 Q. Did she ever discuss that with you?</p> <p>6 A. I'm sure it was discussed. I don't recall</p> <p>7 the specifics, but obviously it -- it was. There's</p> <p>8 an e-mail to that effect.</p> <p>9 Q. And you don't remember any specific</p> <p>10 discussions with her about that?</p> <p>11 A. Specifics, no. General, I've got an idea.</p> <p>12 Q. All right. What's the idea?</p> <p>13 A. Well, it would be to try not to -- try to</p> <p>14 keep the leases in a manageable size so that the</p> <p>15 clock doesn't start ticking on one.</p> <p>16 Q. Is that considered to be a prudent</p> <p>17 practice?</p> <p>18 A. In some cases. I guess the question is</p> <p>19 what acreage level? 10,000, 15,000, 5,000? So, that</p> <p>20 would have been the general discussion, but I don't</p> <p>21 recall the specifics for this particular transaction.</p> <p>22 Q. Do you remember when Pattie Ormond</p> <p>23 negotiated a seismic option with Whittier and</p> <p>24 BlackBrush on the tract -- the 9,000 acres in the</p> <p>25 middle of the STS tract?</p>	<p style="text-align: right;">Page 57</p> <p>1 A. Yes.</p> <p>2 Q. What are those?</p> <p>3 A. I'm assuming she's referring to the Reg 9</p> <p>4 reports that the bank had to do on an annual basis.</p> <p>5 Q. She says, "to finish my month-end," though.</p> <p>6 A. Well, they scheduled them -- instead of all</p> <p>7 being at the same time, they were scheduled at</p> <p>8 different times of the month -- of the year. So...</p> <p>9 Q. So, what type of Reg 9 report would have to</p> <p>10 be prepared?</p> <p>11 A. The bank had a format that you would go</p> <p>12 through. So, I mean, part of their procedures they</p> <p>13 had it in place what a Reg 9 -- as a matter of fact,</p> <p>14 I think -- again, I don't know if this is the way it</p> <p>15 was when I left, but used to have a form that showed</p> <p>16 up that you basically said this account is due a Reg</p> <p>17 9 and you would go through the steps.</p> <p>18 Q. All right. and that's a report that would</p> <p>19 go to the OCC?</p> <p>20 A. I don't know if it went to the OCC or if it</p> <p>21 was just an internal procedure and held.</p> <p>22 Q. And do you see down at the bottom it says,</p> <p>23 We could use another two hands, landmen, but we won't</p> <p>24 get them"?</p> <p>25 A. I see that.</p>

15 (Pages 54 to 57)

<p style="text-align: right;">Page 58</p> <p>1 Q. Were you aware that Pattie was terminated 2 from her employment with JP Morgan? 3 A. I don't know the specifics about it. I 4 just knew that she was no longer there. 5 Q. You just knew what? 6 A. She was no longer there. 7 Q. Okay. Take a look at Exhibit 628 for me, 8 please. 9 A. Okay. 10 Q. Now, this -- this is an administrative 11 committee mineral management group report that was 12 prepared by John Flannery back in July 1997. 13 Do you see that? 14 A. Yes. 15 Q. And I think this is close to what you had 16 described earlier, that you said -- the way the 17 practice was before the merger? 18 A. This looks in line with what we did prior 19 to the merger. 20 Q. And do you see where -- that before 21 accepting a proposal that the facts were set out and 22 the proposal was set out and the payments to STS were 23 set out and then there was a recommendation? 24 A. Yes. 25 Q. And then if you turn the page, do you see</p>	<p style="text-align: right;">Page 60</p> <p>1 knowledge that Petrohawk was really pushing to get 2 something done quick on this? 3 A. There may have been conversations, but I 4 don't recall specifics. 5 Q. Take a look at Exhibit 630. This is 6 another e-mail involving Stan Kuddo with Petrohawk, 7 and this would have been at a time you were still at 8 JP Morgan because it's July 2008. 9 Do you see that? 10 A. Yes. 11 Q. Down at the bottom Pattie is writing. She 12 says, "I normally would not execute a single lease 13 covering so much acreage, particularly in view of the 14 already large acreage covered by previous leases." 15 Do you see that? 16 A. Yes. 17 Q. And did you have any discussions with 18 Pattie about her not normally executing a single 19 lease covering so much acreage? 20 A. There may have been discussions, but I 21 don't recall specifics. 22 Q. But would you agree that that would -- that 23 would be abnormal or not usual to execute a single 24 lease covering so much acreage? 25 MR. WILLIAMS: Objection. Form.</p>
<p style="text-align: right;">Page 59</p> <p>1 where there's an approval or disapproval for three 2 committee members to sign off on? 3 A. Yes. 4 Q. And that was the practice that you grew up 5 with, correct? 6 A. Basically, yes. 7 Q. And then this practice was eliminated or 8 discontinued after the merger; is that correct? 9 A. I think a better word would be 10 transitioned. I just don't recall what it 11 transitioned into. 12 Q. But it didn't transition into anything 13 similar to this Exhibit 628, did it? 14 A. I don't remember this form, no. 15 Q. This Exhibit 629, I talked about this a 16 little about earlier about were you aware of 17 Petrohawk's anxiousness to get something moving, 18 and -- and here this is a Petrohawk e-mail to Pattie 19 dated July 2008 and it starts off -- one of the 20 paragraphs, "Also can sign a letter and can begin to 21 firm up this deal by tomorrow." 22 Do you see that? 23 A. Yes. 24 Q. And, again, my -- after looking at this, 25 does this refresh your memory or did you have any</p>	<p style="text-align: right;">Page 61</p> <p>1 A. I believe that's what the concern was. 2 Q. (BY MR. DROUGHT) But the lease covering the 3 large acreage was nevertheless executed and approved, 4 correct? 5 A. The lease -- one more time, please. 6 Q. The lease covering the -- the 12,000 acres 7 or 15,000 acres, was -- it went through. I mean, it 8 was done? 9 A. So -- I assume so, yes. 10 Q. And here we have another -- this is 11 Exhibit 631. Do you see where we have an e-mail from 12 Petrohawk that says, "Can we sign a letter of intent 13 tomorrow to that effect?" 14 Do you see where it says that at the 15 top? 16 A. I see that. 17 Q. Again, does this ring any bell with you 18 that Petrohawk was really anxious to get something 19 done in a hurry? 20 MR. WILLIAMS: Objection. Form. 21 A. From the e-mail that would appear to be the 22 mode, but I don't recall specific conversations. 23 Q. (BY MR. DROUGHT) All right. Take a look at 24 Exhibit 643 for me, please. 25 A. 643? Okay.</p>

16 (Pages 58 to 61)

<p style="text-align: right;">Page 62</p> <p>1 Q. Now, here's my question. This is a an oil 2 and gas lease summary form, correct? 3 A. Yes. 4 Q. Okay. Have you seen this form before? 5 A. This looks familiar. 6 Q. Okay. Why are you not signing off on this 7 form? 8 MR. WILLIAMS: Objection. Form. 9 A. I was not the location manager at that time 10 and also, too, I believe Pattie may have been made a 11 location manager herself after a period of time. I 12 don't recall all the details of the structure of the 13 group, but when she moved to San Antonio she may have 14 been put into a similar position as H.L. Tompkins. 15 Q. (BY MR. DROUGHT) Okay. So in, May of 2008 16 when the first two Petrohawk leases were signed, 17 you -- you were not a part of the approval of the 18 lease summary? 19 A. No. All of our discussions today would 20 have been in a general format, "What do you think as 21 a mineral property manager?" Not "what do you 22 suggest as my manager?" 23 Q. All right. And then take a look at 24 Exhibit 644. This is the lease approval form for the 25 July 16th, 2008 lease.</p>	<p style="text-align: right;">Page 64</p> <p>1 Q. (BY MR. DROUGHT) Well, my question is: Was 2 it the practice to have her seen these forms? Is 3 that your understanding? 4 MR. WILLIAMS: Objection. Form. 5 A. In most cases you would think that's what 6 would take place. 7 (Exhibit 795 marked) 8 Q. (BY MR. DROUGHT) All right. Take a look at 9 Exhibit 795, which is a new exhibit to the 10 collection. 11 A. Okay. 12 Q. Actually, I just put together some other 13 lease summary forms because your name is on these. 14 A. Okay. 15 Q. Do you see the first one on Anchor? 16 A. Yes, uh-huh. 17 Q. And I guess my question is: You were 18 signing off with Pattie on the Anchor lease, and if 19 you turn the page to the Tucker lease and the Texas 20 Lone Star Petroleum lease -- 21 A. Yes. 22 Q. And to the Whittier Energy lease. 23 A. Okay. 24 Q. And to the Broad Oak Energy lease. 25 Do you see that?</p>
<p style="text-align: right;">Page 63</p> <p>1 Do you see that? 2 A. Yes. 3 Q. And, again, you're not signing off 4 approving the lease form, are you? 5 A. That's correct. 6 Q. All right. And then take a look at 7 Exhibit 645. Do you see that this is the approval 8 form for the December 2008 leases? 9 A. Yes, yes. 10 Q. And can you explain to me why we have 11 Pattie Ormond's signature -- or not her signature but 12 a line there and -- and H.L. Tompkins is signing off 13 on that one? 14 Do you have any understanding of what 15 was going on here? 16 A. No, I don't. 17 Q. These forms we've been provided do not have 18 Pattie's signature on them. 19 Was it the practice that she should 20 have signed this form? 21 MR. WILLIAMS: Objection. Form. 22 Objection. Form. 23 A. I don't know if she wasn't available during 24 that time or -- I don't know what the situation would 25 have been.</p>	<p style="text-align: right;">Page 65</p> <p>1 A. Yes. 2 Q. Why are you signing off on these particular 3 form but you are not signing off on the Petrohawk 4 ones, the six Petrohawk leases? 5 A. I'm speculating, but I believe when she 6 moved over to San Antonio they might have made her 7 the equivalent of a location manager, which wouldn't 8 report to me. Also, too, I believe these were 9 executed while she was in Houston. 10 MR. DROUGHT: All right. Let's go 11 ahead and change the tape. 12 VIDEOGRAPHER: Off the record. The 13 time is 1 -- 2:46. 14 (Recess from 2:46 p.m. to 2:50 p.m.) 15 (Exhibit 796 marked) 16 VIDEOGRAPHER: This is the beginning 17 of Tape No. 2. On the record, and the time is 2:50. 18 MR. DROUGHT: Mr. Crow, that's all the 19 questions I have right now. I may have some later, 20 but I think Mr. Williams has some questions for you. 21 EXAMINATION 22 Q. (BY MR. DROUGHT) Mr. Crow, I just wanted to 23 see if we could nail down more clearly when you were 24 in charge of the Houston office. 25 As I understand it, Mr. Steve Cranford</p>

17 (Pages 62 to 65)

<p style="text-align: right;">Page 66</p> <p>1 was in charge of the Houston office and he left and</p> <p>2 at that point in time you became the Houston location</p> <p>3 manager; is that correct?</p> <p>4 A. That's correct.</p> <p>5 Q. In that role, you supervised other mineral</p> <p>6 managers and other personnel in the Houston office?</p> <p>7 A. In the Houston office, correct.</p> <p>8 Q. And also in that role you interviewed and</p> <p>9 hired Patricia Ormond, correct?</p> <p>10 A. Correct.</p> <p>11 Q. And you hired her as a general manager for</p> <p>12 JP Morgan?</p> <p>13 A. We did, yes.</p> <p>14 Q. And she was to be employed in the Houston</p> <p>15 office?</p> <p>16 A. That was a question at the time I hired,</p> <p>17 but that's where she started.</p> <p>18 Q. Okay. And then she worked for some period</p> <p>19 in the Houston office and then she was relocated to</p> <p>20 the San Antonio office?</p> <p>21 A. Right.</p> <p>22 Q. And as I recall, the San Antonio office had</p> <p>23 been closed. So, she was sent to reopen the</p> <p>24 San Antonio office?</p> <p>25 A. And, again, I don't remember the specifics</p>	<p style="text-align: right;">Page 68</p> <p>1 January 31st, 2006, correct?</p> <p>2 A. Right.</p> <p>3 Q. And can you tell me just in general what</p> <p>4 this particular form is or was for JP Morgan at that</p> <p>5 time?</p> <p>6 A. Just a form annual assessment that everyone</p> <p>7 had to go through with their manager.</p> <p>8 Q. And it included a section where the</p> <p>9 employee would do some self-assessment?</p> <p>10 A. Right.</p> <p>11 Q. And then feedback from the manager,</p> <p>12 correct?</p> <p>13 A. Correct.</p> <p>14 Q. And you were her manager on this particular</p> <p>15 appraisal?</p> <p>16 A. Yes. I was at this time, yes.</p> <p>17 Q. And so, would the comments that you made on</p> <p>18 this appraisal with respect to her job performance</p> <p>19 have been accurate at the time?</p> <p>20 A. It was my opinion of her at that time.</p> <p>21 Q. Okay. If you look at the third page of</p> <p>22 Exhibit 796, you see there about three quarters of</p> <p>23 the way down it says, "Greg's comments"?</p> <p>24 A. Yes.</p> <p>25 Q. Would those have been your comments?</p>
<p style="text-align: right;">Page 67</p> <p>1 but it might have been to spend a period of time in</p> <p>2 Houston just to get used to -- to have someone to</p> <p>3 train with, get used to things. I don't recall if</p> <p>4 the decision was made to later make a change or if</p> <p>5 that was a change -- that was the plan initially and</p> <p>6 she worked out of our office for a period of time. I</p> <p>7 just -- I don't recall the specifics. But, yes, she</p> <p>8 was hired and she was moved over to the San Antonio</p> <p>9 office.</p> <p>10 Q. Okay. And so, for some period of time,</p> <p>11 then, you were her -- her direct manager, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And what were your impressions generally of</p> <p>14 her in her role as a general manager at JP Morgan?</p> <p>15 A. I was impressed with her knowledge of not</p> <p>16 only land management but fiduciary land management.</p> <p>17 Q. And was she a good employee in your</p> <p>18 opinion?</p> <p>19 A. I believe so.</p> <p>20 Q. Let me hand you what's been marked as</p> <p>21 Exhibit 796.</p> <p>22 Q. Mr. Crow, this appears to be the 2006</p> <p>23 appraisal for Patricia Ormond; is that correct?</p> <p>24 A. It appears to be, yes, uh-huh.</p> <p>25 Q. For the period of January 1, 2006 through</p>	<p style="text-align: right;">Page 69</p> <p>1 A. Yes.</p> <p>2 Q. In your comments you say, "We are very</p> <p>3 fortunate to have Pattie on the JP Morgan oil and gas</p> <p>4 team. I consider her to be one of our strongest</p> <p>5 mineral property managers in the JP oil and gas</p> <p>6 group."</p> <p>7 So, that was your opinion of her at</p> <p>8 that time, correct?</p> <p>9 A. Yes. Yes, it was.</p> <p>10 Q. Did your -- did your opinion of her ever</p> <p>11 change?</p> <p>12 A. No.</p> <p>13 Q. So, did you always consider Ms. Ormond to</p> <p>14 be one of the strongest mineral property managers in</p> <p>15 the JP Morgan oil and gas group?</p> <p>16 A. I would consider her one of the people that</p> <p>17 I would have asked advice from.</p> <p>18 Q. And you, in fact, did ask advice from her</p> <p>19 from time to time?</p> <p>20 A. Yes.</p> <p>21 Q. Now, Mr. Crow, were you familiar with -- in</p> <p>22 general with Ms. Ormond's work with the South Texas</p> <p>23 Syndicate Trust?</p> <p>24 A. The generals that we talked about today.</p> <p>25 Not specifics, but I do recall lots of discussions</p>

18 (Pages 66 to 69)

<p style="text-align: right;">Page 70</p> <p>1 because it was an active account.</p> <p>2 Q. Okay. And in terms of her work with South</p> <p>3 Texas Syndicate Trust, were you aware of efforts that</p> <p>4 she made to try to generate interest for South Texas</p> <p>5 Syndicate?</p> <p>6 A. Yes.</p> <p>7 Q. And what were you aware of her doing?</p> <p>8 A. She had gone through the files to read all</p> <p>9 the old leases to try to determine what acreage was</p> <p>10 available for release, attempted to get releases of</p> <p>11 that acreage, worked with -- I don't know if he's a</p> <p>12 geologist or geophysicist, but the gentleman</p> <p>13 Mr. Buehler referenced in some of those e-mails to</p> <p>14 review some of the seismic data and I guess well</p> <p>15 logs, whatever else they had in their files to get a</p> <p>16 better understanding of exactly what -- what they had</p> <p>17 besides owning minerals under that large tract,</p> <p>18 what -- what information they could glean from those</p> <p>19 files.</p> <p>20 Q. Okay. And were you aware of her doing any</p> <p>21 specific marketing with respect to the acreage?</p> <p>22 A. The only specific I know is that there was</p> <p>23 a packet put together for the landman's NAPE</p> <p>24 conference here.</p> <p>25 Q. Okay. And tell me what the NAPE conference</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. Would you say that's a fair exposure of</p> <p>2 a -- for a lessor of a potential leasing opportunity</p> <p>3 to an exploration company?</p> <p>4 MR. DROUGHT: Objection. Form.</p> <p>5 A. I'm not sure about "fair exposure," but</p> <p>6 it's a very good exposure. I'm not sure where you</p> <p>7 could expose it more so.</p> <p>8 Q. (BY MR. WILLIAMS) Okay. Now, Mr. Drought</p> <p>9 has asked you some questions about these calls that</p> <p>10 the mineral management group at JP Morgan would have.</p> <p>11 Can you tell us a little more in</p> <p>12 detail as to what -- well, first of all, how often</p> <p>13 did you have these calls?</p> <p>14 A. I don't recall if they were monthly or</p> <p>15 weekly, but they were scheduled calls to go over</p> <p>16 various matters.</p> <p>17 Q. So, they were on some regular --</p> <p>18 A. They were on a regular basis. I don't</p> <p>19 recall the basis.</p> <p>20 Q. And these were conference calls attended by</p> <p>21 all the mineral managers?</p> <p>22 A. Some by all, some by location managers.</p> <p>23 Q. Okay. And by location managers, you would</p> <p>24 have the Houston office, San Antonio office, Dallas,</p> <p>25 Fort Worth, et cetera?</p>
<p style="text-align: right;">Page 71</p> <p>1 is.</p> <p>2 A. It's a conference put on the by the</p> <p>3 Landman's Association where people come in from all</p> <p>4 over the United States -- all over the world, for</p> <p>5 that matter -- to show prospects.</p> <p>6 Q. And so, you're aware that -- that Patricia</p> <p>7 Ormond of JP Morgan specifically showed the South</p> <p>8 Texas Syndicate as being a leasing prospect at NAPE?</p> <p>9 A. Yes.</p> <p>10 Q. And was that at the NAPE show in 2007?</p> <p>11 A. I don't remember the dates. It was</p> <p>12 probably 2007.</p> <p>13 Q. And also 2008?</p> <p>14 A. Yes.</p> <p>15 Q. And you attended those --</p> <p>16 A. Yes.</p> <p>17 Q. -- those meetings?</p> <p>18 A. Yes, I did.</p> <p>19 Q. Okay. In terms of who attends NAPE, is it</p> <p>20 safe to say that most of the major exploration</p> <p>21 companies attend NAPE?</p> <p>22 A. Yes, that would be a fair statement.</p> <p>23 Q. Okay. And they attend NAPE for the purpose</p> <p>24 of looking for potential drilling prospects?</p> <p>25 A. Or showing them.</p>	<p style="text-align: right;">Page 73</p> <p>1 A. Correct.</p> <p>2 Q. So, all the mineral managers and/or</p> <p>3 location managers from those offices would be on</p> <p>4 these calls?</p> <p>5 A. Yes.</p> <p>6 Q. And then the director of oil and gas would</p> <p>7 be on the calls, as well?</p> <p>8 A. Correct.</p> <p>9 Q. And for some period of time or during this</p> <p>10 period of time in '08 that would have been who?</p> <p>11 A. From Houston for the location manager</p> <p>12 calls, it would have been H.L.. If it was a general</p> <p>13 call for all property managers, I would have been on</p> <p>14 the call, as well.</p> <p>15 Q. Okay. And can you tell me just in general</p> <p>16 what would take place during these calls?</p> <p>17 A. Generally it was talking about leases that</p> <p>18 were being worked on, leases that had been recently</p> <p>19 agreed to, maybe they were discussed before and</p> <p>20 finalized, procedures, status of monthly reviews,</p> <p>21 checks that needed to be cleared that were coming on,</p> <p>22 you know, the scheduled date to get stuff into the --</p> <p>23 out of the DDA account.</p> <p>24 So, it was basically a status call</p> <p>25 to -- to go over leases and just other general</p>

19 (Pages 70 to 73)

Page 74	Page 76
<p>1 matters pertaining to the group.</p> <p>2 Q. So, specifically with regard to leasing if</p> <p>3 you, for example, had a potential lease offer for one</p> <p>4 of the mineral interests that you were administering,</p> <p>5 would you discuss it during these calls with the</p> <p>6 other mineral managers?</p> <p>7 A. That would be the best forum for it, but</p> <p>8 there might also be some one-off calls just calling</p> <p>9 somebody. If I had a lease offer in Oklahoma -- I</p> <p>10 mean, we might discuss it in general on the call, but</p> <p>11 I might pick up the phone and call whoever my contact</p> <p>12 was up there or wherever I felt best suited to, you</p> <p>13 know, discuss with it them one-on-one.</p> <p>14 So, it doesn't necessarily have to be</p> <p>15 a call, but that was kind of a common practice. That</p> <p>16 was the purpose of the calls, was to make the whole</p> <p>17 group aware, but there were probably one-off calls</p> <p>18 just asking people for their opinion, if they felt</p> <p>19 like that was their area where they could help you</p> <p>20 out.</p> <p>21 Q. Okay. And so, on these mineral manager</p> <p>22 calls there would be discussion, for example, as to</p> <p>23 bonus terms being offered on a lease?</p> <p>24 A. Yes.</p> <p>25 Q. Royalty rates being offered?</p>	<p>1 A. They probably would have been discussed in</p> <p>2 that forum.</p> <p>3 Q. (BY MR. WILLIAMS) Okay. That would be the</p> <p>4 standard protocol at the time, correct?</p> <p>5 MR. DROUGHT: Objection. Leading.</p> <p>6 A. Any leases of significance would probably</p> <p>7 have been discussed in that forum.</p> <p>8 Q. (BY MR. WILLIAMS) All right. Now, you</p> <p>9 mentioned that prior to the Bank One merger you said</p> <p>10 there was a committee structure that was involved in</p> <p>11 the crude oil leases, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And if I understood your testimony, you</p> <p>14 said that the mineral manager would basically make</p> <p>15 the trade, write up the trade or write up the -- the</p> <p>16 deal on some kind of form, and then present it to the</p> <p>17 trust committee that would stamp approved?</p> <p>18 A. That was the old procedure at Chase Bank</p> <p>19 Houston.</p> <p>20 Q. Okay. So, you wouldn't -- so, for example,</p> <p>21 if you had a particular lease that you were seeking</p> <p>22 approval for, would you attend a meeting of a lease</p> <p>23 committee and make a presentation?</p> <p>24 A. No. Typically it would be to present it to</p> <p>25 the senior manager of the location and then present</p>
Page 75	Page 77
<p>1 A. Yes.</p> <p>2 Q. Other important provisions of the lease?</p> <p>3 A. Correct.</p> <p>4 Q. All right. And so, when you were answering</p> <p>5 Mr. Drought's questions about discussions pertaining</p> <p>6 to the Petrohawk leases -- if I understand your</p> <p>7 testimony -- while you don't -- sitting here today</p> <p>8 five years later you don't remember maybe specific</p> <p>9 conversations, you feel certain that those leases</p> <p>10 would have been discussed during these calls?</p> <p>11 MR. DROUGHT: Objection. Leading.</p> <p>12 A. I'm sure Pattie and I did discuss those</p> <p>13 leases because we were both senior property managers</p> <p>14 and we would bounce ideas off each other. But I'm</p> <p>15 sure she would call other people to discuss it, as</p> <p>16 well. It wasn't just me.</p> <p>17 Q. (BY MR. WILLIAMS) Okay. I'm really -- and</p> <p>18 I understand about the one-on-one calls, but I'm</p> <p>19 really asking specifically about these regular</p> <p>20 mineral manager calls.</p> <p>21 A. Right.</p> <p>22 Q. Would it be your expectation following the</p> <p>23 JP Morgan procedures at the time that the Petrohawk</p> <p>24 leases would have been discussed?</p> <p>25 MR. DROUGHT: Objection. Form.</p>	<p>1 it to the trust office who managed the accounts and</p> <p>2 knew the relationship and then it would go to a</p> <p>3 formal trust committee that would discuss it and</p> <p>4 approve it and then sent it back to the group. That</p> <p>5 was the procedure at Chase.</p> <p>6 Q. So, whatever deliberation or approval</p> <p>7 process the committee went through, you wouldn't be</p> <p>8 part of that as a mineral manager?</p> <p>9 A. No, other than you were submitting a</p> <p>10 recommendation for that particular trade.</p> <p>11 Q. Okay. So, there wouldn't be a discussion</p> <p>12 between you as the subject matter expert and the</p> <p>13 trust committee as to the particulars of a lease that</p> <p>14 you were recommending?</p> <p>15 A. Unless there was a question regarding the</p> <p>16 transaction itself.</p> <p>17 MR. DROUGHT: Objection. Form.</p> <p>18 Q. (BY MR. WILLIAMS) But in general --</p> <p>19 A. In general, no. If they had an issue with</p> <p>20 it, yes.</p> <p>21 Q. Now, Mr. Drought was asking you some</p> <p>22 questions about procedures that were in place in 2008</p> <p>23 regarding the approval of leases, and I believe you</p> <p>24 said you don't recall sitting here today exactly what</p> <p>25 the procedures were, correct?</p>

20 (Pages 74 to 77)

<p style="text-align: right;">Page 78</p> <p>1 A. No, but it was very helpful seeing the</p> <p>2 summaries that were attached and the signatures on</p> <p>3 there. Those look very familiar. I believe the</p> <p>4 process was a little different than going through a</p> <p>5 trust committee. It did involve someone signing off</p> <p>6 on those forms.</p> <p>7 Q. Okay. Are you aware of Pattie Ormond ever</p> <p>8 not following JP Morgan's policies and procedures?</p> <p>9 A. I'm not aware of it.</p> <p>10 Q. The Reg 9 reports that you were mentioning,</p> <p>11 were those also called account reviews?</p> <p>12 A. They were called a lot of things, but</p> <p>13 that's two -- that's what you heard. So, Reg 9 or</p> <p>14 account review.</p> <p>15 Q. As I understand it, these were annual</p> <p>16 reviews that had to be done for each account, but</p> <p>17 they were staggered so you would do a certain portion</p> <p>18 of them monthly, each month?</p> <p>19 A. Correct, yes.</p> <p>20 Q. Mr. Crow, Mr. Drought was asking you some</p> <p>21 questions about the Haynesville shale and he was</p> <p>22 showing you some exhibits that talked about the</p> <p>23 bonuses that were being offered and paid on the</p> <p>24 Haynesville shale, say, in the summer of 2008.</p> <p>25 Do you recall that? And there were</p>	<p style="text-align: right;">Page 80</p> <p>1 Q. Right. And gas went from what to what?</p> <p>2 A. I would say it was on the 10-dollar plus</p> <p>3 side and probably got down to at least the lower 3s,</p> <p>4 if not further. I don't remember the exact numbers.</p> <p>5 It was just a significant change.</p> <p>6 Q. And have the gas prices even recovered from</p> <p>7 that time frame today?</p> <p>8 A. Not to the extent of oil, but yes.</p> <p>9 (Exhibit 797 marked)</p> <p>10 Q. (BY MR. WILLIAMS) Mr. Crow, let me hand you</p> <p>11 what's been marked Exhibit 797 and just ask you, is</p> <p>12 this an e-mail that you sent to Patricia Ormond</p> <p>13 September 11, 2006?</p> <p>14 A. Obviously so, yes.</p> <p>15 Q. Okay. And in this e-mail change Ms. Ormond</p> <p>16 has forwarded to you an e-mail from a Lynda Haas who</p> <p>17 I believe is an STS beneficiary, correct?</p> <p>18 A. I believe she must have been, yes.</p> <p>19 Q. All right. And you tell Ms. Ormond in your</p> <p>20 e-mail, "You are doing a great job and we are very</p> <p>21 fortunate to have you on the JP Morgan oil and gas</p> <p>22 team," correct?</p> <p>23 A. Yes.</p> <p>24 Q. And those were your thoughts at the time,</p> <p>25 correct?</p>
<p style="text-align: right;">Page 79</p> <p>1 some pretty large bonuses being paid?</p> <p>2 A. Yes, there were.</p> <p>3 Q. What happened -- do you know what happened</p> <p>4 in the Haynesville shale, say, later in 2008?</p> <p>5 A. Well, I can remember the time frame, but</p> <p>6 lots of things changed in the fall of 2008.</p> <p>7 Q. And tell me what changed.</p> <p>8 A. The price of oil from 130 to 40s, I guess,</p> <p>9 and the price of gas from 10 plus to 2.</p> <p>10 Q. And how did that affect oil and gas leasing</p> <p>11 at that time, as you recall?</p> <p>12 A. Pretty much they shut down Barnett shale</p> <p>13 and Haynesville.</p> <p>14 Q. Okay. This was part of the kind of</p> <p>15 economic meltdown, from what I remember, in 2008?</p> <p>16 A. Coupled with that, yes, uh-huh.</p> <p>17 Q. And so, you do remember that bonuses</p> <p>18 plummeted in -- towards the end of 2008, correct?</p> <p>19 A. Yes. I don't know if 2008 is right, but</p> <p>20 it's in that time frame. Things -- things changed.</p> <p>21 Q. The price of oil, I think, as you recall</p> <p>22 went down to what?</p> <p>23 A. I want to say it got down to the upper 40s,</p> <p>24 50s. I don't remember the exact number, but it was a</p> <p>25 lot less than 130.</p>	<p style="text-align: right;">Page 81</p> <p>1 A. Yes, they were.</p> <p>2 Q. All right, sir. Let me hand you</p> <p>3 Exhibit 798 to your deposition.</p> <p>4 (Exhibit 798 marked)</p> <p>5 Q. (BY MR. WILLIAMS) And I believe this is an</p> <p>6 e-mail chain where you forward the e-mail from Lynda</p> <p>7 has -- Lynda Haas had sent an e-mail to Patricia</p> <p>8 Ormond in September 11, 2006, and then you forward</p> <p>9 this e-mail on to David Herford and Paul Midkiff.</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. David Herford, who was he?</p> <p>13 A. David Herford would have been head of the</p> <p>14 oil and gas group I believe at that time.</p> <p>15 Q. And who was Paul Midkiff?</p> <p>16 A. David would have reported to Paul. He was</p> <p>17 in charge of what they refer to as specialty assets.</p> <p>18 Q. Okay. And you say in this e-mail to David</p> <p>19 and Paul Midkiff, "Just wanted to share this e-mail</p> <p>20 with both of you that not only highlights the</p> <p>21 relationships that Pattie is developing with her</p> <p>22 clients but also highlights Pattie's efforts to</p> <p>23 enhance the value of her clients' mineral assets.</p> <p>24 Pattie can provide you with the specifics of what she</p> <p>25 has done to enhance the value of the South Texas</p>

21 (Pages 78 to 81)

<p style="text-align: right;">Page 82</p> <p>1 Syndicate minerals if you want to examples for your 2 presentations."</p> <p>3 And what were you aware of her doing 4 in terms of trying to enhance the value of the South 5 Texas Syndicate minerals?</p> <p>6 A. Based on the date of this e-mail and her 7 hiring, I assume that's the period of time where she 8 went through those files and located the seismic 9 data, reviewed the leases, came up with acreage that 10 was available for lease, and I'm not sure what else 11 would have been done after that point. Probably 12 discussions based on some of these leases that were 13 done with some of the oil companies.</p> <p>14 Q. Were you also aware of her organizing 15 meetings of the STS beneficiaries?</p> <p>16 A. I do recall her having meetings.</p> <p>17 Q. And do you know if that had been done 18 before?</p> <p>19 A. That I would not know. 20 (Exhibit 799 marked)</p> <p>21 Q. (BY MR. WILLIAMS) All right, sir. Let me 22 hand you what's been marked Exhibit 799.</p> <p>23 A. (Witness reviews the document.)</p> <p>24 Q. Let me ask you: Is Exhibit 799 an e-mail 25 that you sent to Paul Midkiff and David Herford</p>	<p style="text-align: right;">Page 84</p> <p>1 were made at that time in 2006.</p> <p>2 MR. WILLIAMS: Can we take a short 3 break?</p> <p>4 MR. DROUGHT: Sure.</p> <p>5 VIDEOGRAPHER: Off the record. The 6 time is 3:12. 7 (Recess from 3:12 p.m. to 3:13 p.m.) 8 VIDEOGRAPHER: On the record, and the 9 time is 3:13.</p> <p>10 Q. (BY MR. WILLIAMS) Mr. Crow, when you were a 11 mineral manager at JP Morgan in 2008 can you tell me 12 just in general what kind of due diligence process 13 you would go through when you were evaluating a lease 14 offer and whether or not to make a decision to enter 15 into a lease?</p> <p>16 A. We had a normal of -- you know, different 17 resources to pull from: Looking at past leases that 18 the bank had done in that area if it was an area that 19 we had a lot of property, looking at leases on 20 drilling info if that was a county that was covered 21 by the service. Basically just trying to find other 22 people that had minerals in the area and talking to 23 them about what they had seen. So, calling other 24 mineral property managers that you felt like had 25 acreage in that area and asking them about the terms.</p>
<p style="text-align: right;">Page 83</p> <p>1 regarding Pattie Ormond and her work on the South 2 Texas Syndicate?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. In that e-mail you say that "Pattie 5 had done an excellent job managing the mineral assets 6 owned by the South Texas Syndicate Group. Pattie 7 arranged a meeting last Friday in San Antonio for a 8 number of the shareholders."</p> <p>9 That would be her organizing an STS --</p> <p>10 A. Yes.</p> <p>11 Q. -- beneficiary meeting that we discussed, 12 correct?</p> <p>13 A. Yes.</p> <p>14 Q. "Pattie presented an overview of the recent 15 lease activity and production from the property. And 16 then on down in the e-mail you say, "Pattie has been 17 very proactive managing this account and has 18 generated significant bonus income in the past 12 19 months, largely as a result of her work promoting 20 this acreage."</p> <p>21 So, it was your thought at the time 22 when you wrote this e-mail that Pattie's efforts had 23 resulted in the generation of significant bonus 24 income for this account, correct?</p> <p>25 A. I believe there were some good leases that</p>	<p style="text-align: right;">Page 85</p> <p>1 It's pretty much the same thing we do today, just 2 trying to get current information on what's going on 3 in an area.</p> <p>4 Q. Okay. So, when you were a JP Morgan 5 mineral manager, that was basically the due diligence 6 process that you would go through?</p> <p>7 A. Yes.</p> <p>8 Q. And to your knowledge is that what in 9 general the mineral managers would do?</p> <p>10 A. It's what we should have done, yes.</p> <p>11 Q. Okay. And you said -- and I was going to 12 ask you this anyway, but has that process really 13 changed for you in your work today as a mineral 14 manager?</p> <p>15 A. No. Very similar.</p> <p>16 Q. Okay. And just so we understand, there's 17 no publicly-available source where you can go and 18 find out necessarily reliable information about 19 bonuses that are being paid for leases?</p> <p>20 A. The only public source is BLM and state 21 sites if it's state or federal lands. If you've got 22 acreage nearby, you might get a little bit of 23 information about the bonus, but by and large it's 24 going to be calling somebody and asking them.</p> <p>25 Q. Okay.</p>

22 (Pages 82 to 85)

<p style="text-align: right;">Page 86</p> <p>1 MR. WILLIAMS: Thank you very much, 2 sir. Pass the witness. 3 MR. DROUGHT: I have just a few other 4 questions. 5 FURTHER EXAMINATION 6 Q. (BY MR. DROUGHT) Mr. Williams talked to you 7 about the slow-down in the oil and gas industry, but 8 that didn't slow down Petrohawk, did it? 9 MR. WILLIAMS: Objection. Form. 10 A. That was after my time. I'm not sure what 11 they did with the property other than I saw that one 12 well that was drilled. I haven't followed it since 13 then. 14 Q. (BY MR. DROUGHT) Well, I showed you three 15 leases that were signed in December 2008. Right? 16 A. Right. 17 Q. So, at least it wasn't slowing down 18 Petrohawk, was it? 19 A. Didn't seem to be, no. 20 MR. WILLIAMS: Objection. Form. 21 Q. (BY MR. DROUGHT) Do you know why Pattie was 22 fired? 23 MR. WILLIAMS: Objection. Form. 24 A. I never asked specifics. I just knew she 25 was no longer at the bank.</p>	<p style="text-align: right;">Page 88</p> <p>1 you had ever seen in the State of Texas? 2 A. Most remarkable? 3 Q. Yes. 4 A. It's significant. I haven't thought of it 5 in that context, as the most remarkable. 6 Q. If Pattie Ormond said to the beneficiaries 7 that this was the most remarkable asset that I have 8 seen in 35 years of being a landman in the State of 9 Texas and nobody gets a second chance at something 10 like this, would you agree with that statement? 11 A. It seems fairly accurate. 12 Q. Okay. Would you agree with this statement 13 that she made at this meeting: "I don't think JP 14 Morgan is really on top of what's happening in the 15 market and is not keeping pace with what land owners 16 are doing generally"? 17 Would you agree with that statement? 18 MR. WILLIAMS: Objection. Form. 19 A. I don't know what the context was of that 20 conversation. 21 Q. (BY MR. DROUGHT) All right. How about this 22 statement by Pattie Ormond? "There's another issue I 23 have with JP Morgan because they don't understand the 24 lease that they have with you. The lease that you 25 granted allows a minimum acreage around a wellbore</p>
<p style="text-align: right;">Page 87</p> <p>1 Q. (BY MR. DROUGHT) Do you know how Pattie was 2 compensated? 3 A. While working at the bank? 4 Q. Yes. 5 A. I assume a salary like the rest of us. 6 Q. Did she get a bonus based on her 7 performance? 8 A. There were performance bonuses. 9 Q. So, if somebody brought in a real large 10 income from lease activity, that would be reflected 11 somehow in the amount of her bonus? 12 A. It probably would have had some reflection 13 on there. 14 Q. Your compliments that Mr. Williams was 15 reading to you about Pattie Ormond's performance, 16 those were all before the December Petrohawk leases, 17 weren't they? 18 A. Yes. That was 2006, I believe. 19 Q. Mr. Williams asked you about the normal due 20 process or due diligence performed by JP Morgan, but 21 you do not have personal knowledge, do you, that 22 Pattie actually performed all of those due diligence? 23 A. I do not. 24 Q. Do you agree that -- that the South Texas 25 mineral interest was the most remarkable asset that</p>	<p style="text-align: right;">Page 89</p> <p>1 necessary to get a valid permit, and I don't 2 understand why they are giving 640 acres." 3 Does that ring any kind of a bell with 4 you? 5 A. No, I don't recall. 6 Q. Were you aware that -- that on the Pioneer 7 property that Reliant paid \$12,000 an acre to -- to 8 Pioneer for sale of part of that acreage up there? 9 Were you aware of that? 10 MR. WILLIAMS: Objection. Form. 11 A. If I was, I don't recall. 12 Q. (BY MR. DROUGHT) And do you consider H.L. 13 Tompkins to be a good mineral manager? 14 A. I think highly of H.L.. 15 Q. Do you agree with Pattie Ormond's 16 statement -- she says, "I like H.L. Tompkins. Do I 17 think he's a good mineral manager? No, I don't. I 18 think he's a terrible mineral manager." 19 Do you agree with Pattie's statement? 20 A. I wouldn't -- I don't know what her -- in 21 what context she's talking about. 22 Q. Okay. She's talking about JP Morgan, and 23 she says, "They have seven mineral managers, they 24 have 12,000 accounts, they manage 200,000 assets. 25 How can they manage your asset? How can they -- they</p>

23 (Pages 86 to 89)

<div>Page 90</div> <div><div><div>1</div><div>don't have time to pick up the phone and spend two</div></div><div><div>2</div><div>hours on the phone negotiating your lease."</div></div><div><div>3</div><div>Do you agree with that?</div></div><div><div>4</div><div>A. I don't know the context of what she's</div></div><div><div>5</div><div>talking about there.</div></div><div><div>6</div><div>Q. We talked about that letter that we saw</div></div><div><div>7</div><div>from Pioneer where they had declined to release the</div></div><div><div>8</div><div>lease.</div></div><div><div>9</div><div>Do you remember that?</div></div><div><div>10</div><div>A. Yes, sir.</div></div><div><div>11</div><div>Q. Do you agree with this statement? She</div></div><div><div>12</div><div>says, "Well, the lease should have been released and</div></div><div><div>13</div><div>the bank should have sought release of the lease, and</div></div><div><div>14</div><div>they did. They just didn't do it forcefully. They</div></div><div><div>15</div><div>lacked guts. They didn't pursue it because they are</div></div><div><div>16</div><div>bankers."</div></div><div><div>17</div><div>Do you agree with her statement on</div></div><div><div>18</div><div>that?</div></div><div><div>19</div><div>A. I -- I don't know what the rationale was</div></div><div><div>20</div><div>for deciding that they didn't have an opportunity to</div></div><div><div>21</div><div>get that particular tract released.</div></div><div><div>22</div><div>MR. DROUGHT: Okay. That's all the</div></div><div><div>23</div><div>questions I have for you today. Thank you very much.</div></div><div><div>24</div><div>FURTHER EXAMINATION</div></div><div><div>25</div><div>Q. (BY MR. WILLIAMS) Mr. Crow, just so I</div></div></div>	<div>Page 92</div> <div><div><div>1</div><div>would probably be a factor in enhancing the value of</div></div><div><div>2</div><div>their client's assets and being compensated for doing</div></div><div><div>3</div><div>so.</div></div><div><div>4</div><div>MR. WILLIAMS: Okay. That's all I</div></div><div><div>5</div><div>have.</div></div><div><div>6</div><div>MR. DROUGHT: That's all I have.</div></div><div><div>7</div><div>VIDEOGRAPHER: Off the record. The</div></div><div><div>8</div><div>time is 3:22.</div></div><div><div>9</div><div>(Whereupon the deposition was adjourned.)</div></div></div>
<div>Page 91</div> <div><div><div>1</div><div>understand the bonus structure, general managers at</div></div><div><div>2</div><div>JP Morgan while you were there weren't on any kind of</div></div><div><div>3</div><div>a commission basis, correct?</div></div><div><div>4</div><div>A. No. It wasn't commission-based, no.</div></div><div><div>5</div><div>Q. Okay. So, if you, for example, got a bonus</div></div><div><div>6</div><div>on a particular lease, you didn't get some percentage</div></div><div><div>7</div><div>commission based on the bonus?</div></div><div><div>8</div><div>MR. DROUGHT: Objection. Leading.</div></div><div><div>9</div><div>A. No.</div></div><div><div>10</div><div>Q. (BY MR. WILLIAMS) Okay. Well, what was</div></div><div><div>11</div><div>your understanding of how any bonus consideration for</div></div><div><div>12</div><div>a mineral manager was determined at JP Morgan?</div></div><div><div>13</div><div>A. Basically on performance.</div></div><div><div>14</div><div>Q. And what factors went into that performance</div></div><div><div>15</div><div>review? Do you know?</div></div><div><div>16</div><div>A. Maybe how much revenue was generated by the</div></div><div><div>17</div><div>group, what you did to enhance the value of your</div></div><div><div>18</div><div>client's assets. It's "are you doing a good job</div></div><div><div>19</div><div>for -- for the client."</div></div><div><div>20</div><div>Q. Okay. So, there would be multiple factors?</div></div><div><div>21</div><div>A. There's multiple factors. So, there was no</div></div><div><div>22</div><div>commission, but if you had someone that was doing a</div></div><div><div>23</div><div>good job and bringing in good money, then that might</div></div><div><div>24</div><div>be something that would be considered on their -- on</div></div><div><div>25</div><div>their bonus. It wasn't commission-based, but it</div></div></div>	<div>Page 93</div> <div><div><div>1</div><div>CHANGES AND SIGNATURE</div></div><div><div>2</div><div>PAGE LINE CHANGE REASON</div></div><div><div>3</div><div></div></div><div><div>4</div><div></div></div><div><div>5</div><div></div></div><div><div>6</div><div></div></div><div><div>7</div><div></div></div><div><div>8</div><div></div></div><div><div>9</div><div></div></div><div><div>10</div><div></div></div><div><div>11</div><div></div></div><div><div>12</div><div></div></div><div><div>13</div><div></div></div><div><div>14</div><div></div></div><div><div>15</div><div></div></div><div><div>16</div><div></div></div><div><div>17</div><div></div></div><div><div>18</div><div></div></div><div><div>19</div><div></div></div><div><div>20</div><div></div></div><div><div>21</div><div></div></div><div><div>22</div><div></div></div><div><div>23</div><div></div></div><div><div>24</div><div></div></div><div><div>25</div><div></div></div></div>

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<p style="text-align: right;">Page 94</p> <p>1 I, GREG CROW, have read the foregoing deposition 2 and hereby affix my signature that same is true and 3 correct, except as noted above. 4 5 _____ 6 GREG CROW 7 8 THE STATE OF _____) 9 COUNTY OF _____) 10 11 Before me, _____, on this 12 day personally appeared GREG CROW, known to me or 13 proved to me on the oath of _____ or 14 through _____ (description of 15 identity card or other document) to be the person 16 whose name is subscribed to the foregoing instrument 17 and acknowledged to me that he/she executed the same 18 for the purpose and consideration therein expressed. 19 Given under my hand and seal of office on this 20 ____ day of _____ 2013. 21 22 _____ 23 NOTARY PUBLIC IN AND FOR 24 THE STATE OF _____ 25 My Commission Expires: _____</p> <p style="text-align: right;">Page 95</p> <p>1 CAUSE NO. 2010-CI-10977 2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT 3) 4 vs.) BEXAR COUNTY, TEXAS 5) 6 JP MORGAN CHASE BANK, N.A.) 7 INDIVIDUALLY/CORPORATELY) 8 AND AS TRUSTEE OF THE) 9 SOUTH TEXAS SYNDICATE) 10 TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT 11 12 REPORTER'S CERTIFICATE 13 ORAL VIDEOTAPED DEPOSITION OF GREG CROW 14 January 22, 2014 15 16 I, Shauna Foreman, Certified Shorthand Reporter 17 in and for the State of Texas, hereby certify to the 18 following: 19 That the witness, GREG CROW, was duly sworn and 20 that the transcript of the deposition is a true 21 record of the testimony given by the witness; 22 That the deposition transcript was duly 23 submitted on _____ to the witness or to 24 the attorney for the witness for examination, 25 signature, and return to me by _____. 26 That pursuant to information given to the 27 deposition officer at the time said testimony was 28 taken, the following includes all parties of record</p>	<p style="text-align: right;">Page 96</p> <p>1 and the amount of time used by each party at the time 2 of the deposition: 3 James L. Drought (1h35m) 4 Attorney for Plaintiff 5 David Jed Williams (0h18m) 6 Attorney for Defendants 7 8 That a copy of this certificate was served on 9 all parties shown herein on _____ 10 and filed with the Clerk. 11 I further certify that I am neither counsel for, 12 related to, nor employed by any of the parties in the 13 action in which this proceeding was taken, and 14 further that I am not financially or otherwise 15 interested in the outcome of this action. 16 Further certification requirements pursuant to 17 Rule 203 of the Texas Code of Civil Procedure will be 18 complied with after they have occurred. 19 Certified to by me on this 22nd day of 20 January, 2014. 21 22 _____ 23 Shauna Foreman, CSR 24 Texas CSR 3786 25 Expiration: 12/31/2014 26 Kim Tindall & Associates 27 645 Lockhill Selma, Suite 200 28 San Antonio, Texas 78216 29 (210)697-3400 30 Firm No. 631</p> <p style="text-align: right;">Page 97</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203 2 3 The original deposition was/was not returned to 4 the deposition officer on _____. 5 If returned, the attached Changes and Signature 6 page(s) contain(s) any changes and the reasons 7 therefor. 8 If returned, the original deposition was 9 delivered to James L. Drought, Custodial Attorney. 10 \$_____ is the deposition officer's charges to 11 the Plaintiff for preparing the original deposition 12 and any copies of exhibits; 13 The deposition was delivered in accordance with 14 Rule 203.3, and a copy of this certificate, served on 15 all parties shown herein, was filed with the Clerk. 16 Certified to by me on this ____ day of 17 _____, 2014. 18 19 _____ 20 Shauna Foreman, CSR 21 Texas CSR 3786 22 Expiration: 12/31/2014 23 Kim Tindall & Associates 24 645 Lockhill Selma, Suite 200 25 San Antonio, Texas 78216 26 (210)697-3400</p>
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Transcript of the Testimony of
Bill Osborn

Date:

January 24, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase Bank

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,)	IN THE DISTRICT COURT
Plaintiffs,)	
)	
VS.)	225TH JUDICIAL DISTRICT
)	
JP MORGAN CHASE BANK, N.A.)	
INDIVIDUALLY/CORPORATELY)	
AND AS TRUSTEE OF THE)	
SOUTH TEXAS SYNDICATE)	
TRUST and GARY P. AYMES,)	
Defendants.)	BEXAR COUNTY, TEXAS

ORAL AND VIDEOTAPED DEPOSITION OF

BILL OSBORN

JANUARY 24, 2014

VOLUME 1

ORAL AND VIDEOTAPED DEPOSITION OF BILL OSBORN,
produced as a witness at the instance of the PLAINTIFFS,
and duly sworn, was taken in the above-styled and
numbered cause on January 24, 2014, from 9:53 a.m. to
3:00 p.m., before Lei Sherra Torrence, CSR in and for
the State of Texas, reported by machine shorthand, at
the offices of Hunt Oil Company, 1900 North Akard
Street, Dallas, Texas, pursuant to the Texas Rules of
Civil Procedure and the provisions stated on the record
or attached hereto.

Page 6	Page 8
<p>1 A. Almost four years.</p> <p>2 Q. What position do you hold at Hunt Oil?</p> <p>3 A. Currently senior landman.</p> <p>4 Q. Have you been senior landman for Hunt Oil Company</p> <p>5 for all four years?</p> <p>6 A. No, sir.</p> <p>7 Q. Can you tell me -- and -- and let me just ask you</p> <p>8 this: When was it that you started with Hunt Oil</p> <p>9 Company?</p> <p>10 A. It was approximately February of 2010.</p> <p>11 Q. Okay. And from February 2010 until you became</p> <p>12 senior landman, what were your positions at Hunt Oil?</p> <p>13 A. Landman.</p> <p>14 Q. Did you work in the Hunt offices here in Dallas?</p> <p>15 A. Yes.</p> <p>16 Q. As landman what generally have been your</p> <p>17 responsibilities at Hunt Oil?</p> <p>18 A. Dealing with various land aspects involved with</p> <p>19 drilling and exploration of oil and gas wells.</p> <p>20 Q. Any particular geographic focus?</p> <p>21 A. The Eagle Ford Shale.</p> <p>22 Q. Okay. And I am representing certain</p> <p>23 beneficiaries of a trust called the South Texas</p> <p>24 Syndicate Trust in a lawsuit pending in San Antonio</p> <p>25 against the trustee of that trust, JP Morgan. Do you</p>	<p>1 to?</p> <p>2 A. In December of 2010?</p> <p>3 Q. Any -- any time in 2010.</p> <p>4 A. Ernie Easley.</p> <p>5 Q. Okay. And did you have anyone other than</p> <p>6 Mr. Easley that you talked to about the work you were</p> <p>7 doing as landman in the Eagle Ford Shale in 2010?</p> <p>8 A. He was my direct supervisor.</p> <p>9 Q. So in 2010 if you were communicating with</p> <p>10 somebody about senior level management at Hunt Oil</p> <p>11 other than Mr. Easley, was there anybody else at Hunt</p> <p>12 Oil that you'd be talking about?</p> <p>13 A. Our vice president of land, Bill Rex, I would say</p> <p>14 was familiar with some of the negotiations and issues</p> <p>15 involved with the South Texas Syndicate leases.</p> <p>16 Q. Anyone else?</p> <p>17 A. In 2010?</p> <p>18 Q. Yes, sir.</p> <p>19 A. No, sir -- well, Larry Guzick, also.</p> <p>20 Q. Okay. So we've got Ernie Easley, Larry Guzick</p> <p>21 and Bill Rex. Basically the senior level management</p> <p>22 that you were working with?</p> <p>23 A. I would say that's accurate.</p> <p>24 Q. Okay. Now, Hunt Oil is in the oil and gas</p> <p>25 business in the United States and all over the world; is</p>
Page 7	Page 9
<p>1 understand that?</p> <p>2 A. Yes, sir.</p> <p>3 Q. Okay. And I'll be asking you some questions</p> <p>4 today about certain matters that pertain to the South</p> <p>5 Texas Syndicate and mineral interests there. But before</p> <p>6 I get there, as landman in 2010, who did you report to</p> <p>7 at Hunt Oil?</p> <p>8 A. Our vice president of exploration far region</p> <p>9 Ernie Easley.</p> <p>10 Q. That's E-A-S-L-E-Y?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And did your reporting responsibilities</p> <p>13 change from 2010 until today to -- to report to anybody</p> <p>14 other than Mr. Easley?</p> <p>15 A. Yes. I currently report to Larry Guzick.</p> <p>16 Q. And when did that change occur?</p> <p>17 A. I want to say December of 2012.</p> <p>18 Q. Is there anyone other than Mr. Easley or</p> <p>19 Mr. Guzick that -- well, no. Let me ask the question</p> <p>20 this way: Back in 2010, did you have reporting or</p> <p>21 communicating opportunities with senior management at</p> <p>22 Hunt Oil?</p> <p>23 A. Can you repeat that question, please?</p> <p>24 Q. Sure. In 2010, did -- what senior level</p> <p>25 management at Hunt Oil did you report to or communicate</p>	<p>1 it not?</p> <p>2 A. Correct.</p> <p>3 Q. And other than your landman and senior landman</p> <p>4 responsibilities in the Eagle Ford Shale, have you had</p> <p>5 any responsibilities for any other area that Hunt Oil</p> <p>6 has interest in?</p> <p>7 A. No, sir.</p> <p>8 Q. Okay. And the Eagle Ford Shale that we're</p> <p>9 talking about is in the South Texas area, right?</p> <p>10 A. Correct.</p> <p>11 Q. During your time at Hunt Oil, have you been given</p> <p>12 information about the banking relationships that Hunt</p> <p>13 Oil has with other banks?</p> <p>14 A. No, sir.</p> <p>15 Q. Or information about the banking relationship</p> <p>16 that Hunt Oil had with JP Morgan in 2010, 2011, 2012?</p> <p>17 A. No, sir.</p> <p>18 Q. Do you know whether or not prior to the time that</p> <p>19 you got -- you got to Hunt Oil that Hunt Oil had had</p> <p>20 opportunities to work with a Japanese company called</p> <p>21 Marubeni, M-A-R-U-B-I-N-I [sic]?</p> <p>22 A. Would you mind repeating that question again,</p> <p>23 please?</p> <p>24 Q. Sure. Do you know whether or not prior to 2010</p> <p>25 Hunt Oil had opportunities to work with a Japanese</p>

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<p>1 company named Marubeni?</p> <p>2 A. Prior to 2010 I was not familiar with Marubeni.</p> <p>3 Q. As -- as you performed your work in the Eagle</p> <p>4 Ford Shale from 2010 into 2011 and 2012, did you become</p> <p>5 familiar with whether -- with Hunt Oil's history of</p> <p>6 working with Marubeni and other places like Puru?</p> <p>7 A. No. I was not. I was aware that we had -- Hunt</p> <p>8 Oil Company had a relationship with Marubeni, but I was</p> <p>9 not familiar with the particulars of that relationship</p> <p>10 or to what extent we had a relationship with Marubeni.</p> <p>11 Q. And the -- the relationship that you're taking</p> <p>12 about here is one that predated the time that Marubeni</p> <p>13 purchased an interest in some Eagle Ford Shale</p> <p>14 properties that Hunt Oil had leases on?</p> <p>15 A. I was made aware that Marubeni had a relationship</p> <p>16 with Hunt Oil Company and that that relationship to my</p> <p>17 understanding was revolving around our operations in</p> <p>18 Puru.</p> <p>19 Q. All right. Now, at -- at a point in time in late</p> <p>20 2011 there were negotiations between Hunt Oil and</p> <p>21 Marubeni about Marubeni purchasing some interests in</p> <p>22 Hunt Oil's Eagle Ford Shale leases; is that correct?</p> <p>23 A. I don't recall when those negotiations started</p> <p>24 but at some point, yes, there was discussions with</p> <p>25 Marubeni about our operations in Eagle Ford.</p>	<p>1 A. I'd say that's accurate.</p> <p>2 Q. Did you have any role in any determination at</p> <p>3 Hunt Oil about what the acceptable price per acre for</p> <p>4 leases would be in a transaction with Marubeni?</p> <p>5 A. No, sir.</p> <p>6 Q. Do you know whether or not there was any role</p> <p>7 played by JP Morgan in the Marubeni transaction with</p> <p>8 Hunt Oil?</p> <p>9 A. Repeat that again, please.</p> <p>10 Q. Sure. Do you know whether JP Morgan had any role</p> <p>11 in the transaction between Hunt Oil and Marubeni?</p> <p>12 A. I do not -- I do not know the answer to that, but</p> <p>13 I don't know believe that -- that to be true.</p> <p>14 Q. Did you become aware during the work that you did</p> <p>15 on the Marubeni transaction that at the time of the</p> <p>16 transaction, JP Morgan was listed as one of the major</p> <p>17 shareholders of Marubeni?</p> <p>18 A. I was not aware of that.</p> <p>19 Q. That didn't come up --</p> <p>20 A. No.</p> <p>21 Q. -- in discussions?</p> <p>22 A. Not to me.</p> <p>23 Q. Let me ask you about another company. When you</p> <p>24 became landman in -- at Hunt Oil in February 2010, were</p> <p>25 you made aware of a company called Broad Oak Energy</p>
Page 11	Page 13
<p>1 Q. And were you a participant in those discussions?</p> <p>2 A. No.</p> <p>3 Q. Do you know who at Hunt Oil was?</p> <p>4 A. I think initially it was our corporate</p> <p>5 development department and I do not know whom within</p> <p>6 that department specifically was the front person of</p> <p>7 those negotiations.</p> <p>8 Q. Did -- did you play any role, even though not a</p> <p>9 front person, in the negotiations that led to the</p> <p>10 Marubeni transaction that was disclosed to the public in</p> <p>11 January 2012?</p> <p>12 A. Not the negotiations of -- not the negotiations.</p> <p>13 The role I had was -- I just did not have a role in the</p> <p>14 negotiation with Marubeni.</p> <p>15 Q. Did you have a role in putting together</p> <p>16 information that was used by those who did have</p> <p>17 responsibility for negotiation?</p> <p>18 A. I assisted in the collection of lease</p> <p>19 information, if -- lease information, acreage</p> <p>20 information, things that was related to landman duties.</p> <p>21 Q. And in collecting this lease information for this</p> <p>22 potential deal between Hunt Oil and Marubeni, were some</p> <p>23 of the leases leased -- was some of the lease</p> <p>24 information that you collected information related to</p> <p>25 leases on the South Texas Syndicate mineral interests?</p>	<p>1 Incorporated?</p> <p>2 A. Yes, I became aware of them.</p> <p>3 Q. Did you know about Broad Oak Energy Incorporated</p> <p>4 before you were hired at Hunt Oil?</p> <p>5 A. No, sir.</p> <p>6 Q. What did you become aware of that related to</p> <p>7 Broad Oak Energy?</p> <p>8 A. That they were the party from whom Hunt Oil</p> <p>9 Company purchased the leases between -- that we now --</p> <p>10 that Hunt Oil Company now owns between South Texas</p> <p>11 Syndicate, J -- and JP Morgan and Broad Oak Energy.</p> <p>12 Q. Did you learn how much Hunt Oil had paid to Broad</p> <p>13 Oak Energy for the leases on the South Texas Syndicate</p> <p>14 mineral interest?</p> <p>15 A. At that time did I learn what the purchase price</p> <p>16 was?</p> <p>17 Q. Yes, sir.</p> <p>18 A. I'm sure I probably did.</p> <p>19 Q. And what was it?</p> <p>20 A. I don't recall.</p> <p>21 Q. Do you remember even a per acre price?</p> <p>22 A. That Hunt Oil Company paid Broad Oak for those</p> <p>23 leases?</p> <p>24 Q. Yeah. Let me -- let me ask the question again.</p> <p>25 Do you remember even a per acre price that Hunt Oil</p>

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Page 14	Page 16
<p>1 Company paid to Broad Oak Energy for the leases on the</p> <p>2 South Texas Syndicate mineral interest?</p> <p>3 A. I don't recall what that purchase price per acre</p> <p>4 was.</p> <p>5 Q. After you became landman in February 2010, did</p> <p>6 you have any communications with anyone at Broad Oak</p> <p>7 Energy about the South Texas Syndicate leases?</p> <p>8 A. Yes. J.D. Braddock.</p> <p>9 Q. And what did you and Mr. Braddock have the -- the</p> <p>10 opportunity to discuss?</p> <p>11 A. I think most of our discussions revolved around</p> <p>12 land-related issues, lease provisions, perhaps, title</p> <p>13 questions, things of that nature.</p> <p>14 Q. Were there any lease provisions -- well, let</p> <p>15 me -- I'll ask about the lease provisions later. Were</p> <p>16 there any title questions discussed with Mr. Braddock</p> <p>17 that were not resolved?</p> <p>18 A. Not to my recollection.</p> <p>19 Q. Do you remember when these title questions were</p> <p>20 discussed with Mr. Braddock at -- at Broad Oak?</p> <p>21 A. Not specifically.</p> <p>22 Q. There were several opportunities for amendments</p> <p>23 of the leases that Hunt Oil had on the South Texas</p> <p>24 Syndicate lands. One of those amendments was in August</p> <p>25 2012. Were the title questions that you discussed with</p>	<p>1 Oil asking you in 2013 to put any information together</p> <p>2 for purposes of a Ryder Scott evaluation?</p> <p>3 A. No.</p> <p>4 Q. Now, I've asked that internally at Hunt Oil. Do</p> <p>5 you remember anybody at JP Morgan contacting you and</p> <p>6 saying, we need some information for a Ryder Scott</p> <p>7 evaluation in 2011?</p> <p>8 A. No.</p> <p>9 Q. And the same thing for 2013?</p> <p>10 A. No.</p> <p>11 MR. FLEGLE: There were -- I'm going to ask</p> <p>12 you about some amendments to the Broad Oak leases that</p> <p>13 occurred in July 2009 and I'll give you -- I'll show you</p> <p>14 one of them and -- and see if you have any recollection</p> <p>15 of seeing these after you came to Hunt Oil. The first</p> <p>16 one I'll show you is Exhibit 58D that's been previously</p> <p>17 marked.</p> <p>18 (Exhibit Number 58D referenced.)</p> <p>19 Q. (BY MR. FLEGLE) This is an amendment -- it's</p> <p>20 called a Fourth Amendment of Oil and Gas Lease and the</p> <p>21 original lease was dated March 14, 2006. It's a lease</p> <p>22 for 683.48 acres that's subsequently amended. Did you</p> <p>23 have a chance to look at these amendments when you</p> <p>24 became a landman at Hunt Oil in 2010?</p> <p>25 A. Yes, I've seen these amendments.</p>
Page 15	Page 17
<p>1 Mr. Braddock in the context of the August 2012</p> <p>2 amendments?</p> <p>3 A. No, the amendments that we executed were not --</p> <p>4 title was not a issue involving those amendments.</p> <p>5 Q. There's another company that had some involvement</p> <p>6 in the South Texas Syndicate mineral interests and</p> <p>7 played a role in terms of evaluation. It's a company</p> <p>8 called Ryder Scott. Are you aware of them?</p> <p>9 A. No, sir.</p> <p>10 Q. Do you remember -- were you a participant in any</p> <p>11 discussions with Ryder Scott back in 2011 relating to</p> <p>12 evaluation that Ryder Scott made on the royalty interest</p> <p>13 for the South Texas Syndicate Trust?</p> <p>14 A. No, sir.</p> <p>15 Q. Ryder Scott also made evaluation in 2013 on the</p> <p>16 South Texas Syndicate mineral interest. Were you asked</p> <p>17 to provide any information to Ryder Scott for purposes</p> <p>18 of its 2013 report?</p> <p>19 A. Not to my recollection.</p> <p>20 Q. Did -- do you remember anybody at Hunt Oil</p> <p>21 internally coming to you in 2011 saying, could you</p> <p>22 please collect certain information for evaluation</p> <p>23 purposes for Ryder Scott?</p> <p>24 A. In 2011 -- no, I don't recall that.</p> <p>25 Q. And do you remember anybody internally at Hunt</p>	<p>1 MR. FLEGLE: And let me show you the</p> <p>2 other -- the other four -- the other three just so we've</p> <p>3 got them in front of you. This one is 62A and this one</p> <p>4 relates to 3,094 acres. And this one is 60A which deals</p> <p>5 with 4,224 acr -- point 7175 acres which I'll -- I'll</p> <p>6 represent was subsequently amended in terms of the</p> <p>7 acreage involved. And then this one is 64A which at</p> <p>8 this point which originally was 2,371 acres.</p> <p>9 (Exhibit Numbers 62A, 60A, 64A referenced.)</p> <p>10 Q. (BY MR. FLEGLE) In what context did you have an</p> <p>11 opportunity to look at these amendments 58D, 60A, 62A</p> <p>12 and 64A?</p> <p>13 A. I'm sorry, was your question in what context?</p> <p>14 Q. Yeah. Why -- why did you have -- have the</p> <p>15 opportunity to look at these?</p> <p>16 A. They were contained within Hunt Oil Company's</p> <p>17 lease records, and to familiarize myself with the terms</p> <p>18 and provisions of the leases, I had reviewed these</p> <p>19 documents.</p> <p>20 Q. Okay. Did you notice in these lease -- in these</p> <p>21 four lease amendments that they were all dated July 16,</p> <p>22 2009?</p> <p>23 A. I don't -- I mean, I don't recall that and I</p> <p>24 don't remember specifically telling myself that but...</p> <p>25 Q. Okay. Well, I -- did -- in terms of looking at</p>

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<p>1 these amendments to these four leases, did you become</p> <p>2 aware that these amendments extended the primary terms</p> <p>3 of the leases?</p> <p>4 A. Yes.</p> <p>5 Q. And in the -- in the primary terms of the leases</p> <p>6 is important to the lessee; is it not?</p> <p>7 MR. BEITER: Objection; form.</p> <p>8 A. Yes.</p> <p>9 Q. (BY MR. FLEGLE) Well, it's important to Hunt</p> <p>10 Oil, isn't it?</p> <p>11 A. To understand the...</p> <p>12 Q. Primary term.</p> <p>13 A. Yes. I would say that's important.</p> <p>14 Q. And in -- in terms of the something that is</p> <p>15 considered by Hunt Oil a -- a provision of value a</p> <p>16 longer primary terms is more valuable than a shorter</p> <p>17 primary term generally, right?</p> <p>18 A. I think each lease stands on its own and some</p> <p>19 leases it may be a higher priority than others.</p> <p>20 Q. Did you have any discussions with anybody</p> <p>21 internally at Hunt Oil when you had a chance to look at</p> <p>22 these four lease amendments on whether or not Hunt Oil</p> <p>23 and Broad Oak Energy were in discussions that would lead</p> <p>24 -- that might lead to Hunt Oil taking over the Broad Oak</p> <p>25 leases in 2000 -- in 19 -- in 2009?</p>	<p>1 Q. Do you know who at Hunt Oil was involved with the</p> <p>2 negotiations with Broad Oak in 2009?</p> <p>3 A. I don't know specifically as I -- I wasn't an</p> <p>4 employee at Hunt, so I can't say with certainty.</p> <p>5 Q. Well, when you took over the responsibility for</p> <p>6 these leases on the South Texas Syndicate mineral</p> <p>7 interest, did you go to anyone in particular at Hunt</p> <p>8 Oil, who at least from your perception, had knowledge</p> <p>9 about what had been going on with these leases before</p> <p>10 you came to Hunt?</p> <p>11 A. I would say that myself and Larry Guzick have had</p> <p>12 conversations regarding the leases.</p> <p>13 MR. FLEGLE: Bless you.</p> <p>14 Q. (BY MR. FLEGLE) And was Mr. Guzick involved in</p> <p>15 the negotiations between Hunt Oil and Broad Oak in 2009?</p> <p>16 A. I don't know that for certain.</p> <p>17 Q. Do you know what landman at Hunt Oil had</p> <p>18 responsibility for these four leases before you became a</p> <p>19 landman in February 2010 at Hunt Oil?</p> <p>20 A. I don't know that.</p> <p>21 Q. And when you looked at the file, did you see</p> <p>22 anything in the file that went back to 2009 involving</p> <p>23 any investigation of Hunt Oil's transaction with Broad</p> <p>24 Oak that led to the assignment of the Broad Oak leases</p> <p>25 to Hunt Oil?</p>
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<p>1 A. I'm sorry. I missed the first part of your</p> <p>2 question.</p> <p>3 Q. Yeah, let me try it again.</p> <p>4 A. Okay.</p> <p>5 Q. And by the way, I'm human. Some of my questions</p> <p>6 may not make any sense and if they don't, just tell me</p> <p>7 and I'll try to -- try to make the English a little</p> <p>8 clearer. When you had a chance to notice that there</p> <p>9 were these amendments to these four leases -- and I'll</p> <p>10 represent to you that these amendments were all dated</p> <p>11 July 16, 2009 -- did you learn whether or not Hunt Oil</p> <p>12 was in discussions with Broad Oak Energy prior to Jan --</p> <p>13 July 16, 2009 for a transaction involving these lease</p> <p>14 interests?</p> <p>15 A. Since I didn't start with Hunt Oil until 2010,</p> <p>16 I'm not familiar with the discussions that Hunt Oil had</p> <p>17 with Broad Oak prior to that.</p> <p>18 Q. Did -- did anybody tell you why the primary terms</p> <p>19 on these leases were extended as of July 16, 2009?</p> <p>20 A. No, sir.</p> <p>21 Q. Or whether there was any consideration paid for</p> <p>22 the extension of the primary terms by Broad Oak to the</p> <p>23 -- to the trust?</p> <p>24 A. I wouldn't have any knowledge as to Broad Oak's</p> <p>25 negotiations with JP Morgan on that.</p>	<p>1 A. I don't recall seeing any documentation on that.</p> <p>2 Q. You did look at the lease files for these four</p> <p>3 leases; did you not?</p> <p>4 A. Yes, sir.</p> <p>5 Q. Okay. And Hunt Oil keeps files per lease for its</p> <p>6 own records, right?</p> <p>7 A. Correct.</p> <p>8 Q. Okay. And those files generally -- do those</p> <p>9 files generally contain communications with others as</p> <p>10 they relate to the leases?</p> <p>11 A. I'm not sure what you mean by communications.</p> <p>12 Q. Letters, correspondence, e-mails?</p> <p>13 A. On occasion I would say that's true but not --</p> <p>14 it's not a -- not always.</p> <p>15 Q. Let me show you a communication that was dated</p> <p>16 before your time. It's Exhibit 65. It's an October 23</p> <p>17 letter, 2000 -- this is an October 23, 2009 letter from</p> <p>18 Broad Oak. And what I wanted to ask you about is at the</p> <p>19 bottom of the first page there's a reference to Hunt Oil</p> <p>20 Company to the attention Mr. Bill Rex. Was Mr. Rex, to</p> <p>21 your knowledge, involved in the transaction between Hunt</p> <p>22 Oil and Broad Oak?</p> <p>23 (Exhibit Number 65 referenced.)</p> <p>24 A. Not to my knowledge.</p> <p>25 Q. Did you have any discussions with Mr. Rex when</p>

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<p>1 you took over these leases when you were hired by Hunt 2 in 2010? 3 A. Repeat that one more time. I'm sorry. 4 Q. Sure. Did you have any discussions with Mr. Rex 5 when you took over the responsibility for these four 6 leases in 2010 as landman? 7 A. I've had -- I've had conversations with Bill Rex 8 pertain -- can you clarify as to what discussions you 9 might be referring to? 10 Q. Sure. I -- I was just wondering if you talked 11 with Mr. Rex about the background of these leases and 12 amendments that -- to the events that occurred before 13 you came to Hunt Oil. 14 A. I don't recall having conversations with Bill Rex 15 about that. 16 Q. Now, after you joined Hunt Oil, do you recall a 17 request by Hunt Oil to JP Morgan as trustee to consent 18 to an assignment of certain interests in these leases to 19 other companies? 20 A. Yes. I -- I do recall communication between 21 myself and JP Morgan on consent to assignment issues. 22 MR. FLEGLE: I'll tell you what. If you've 23 got some exhibits I'll stick these. We'll start these 24 exhibits at 814 based on the exhibits from yesterday. 25 (Exhibit Number 814 marked.)</p>	<p>1 that your -- 2 Q. Yes. 3 A. -- is that your question? 4 Q. Yes. 5 A. In regards to the notice of assignment and 6 consent to assignment in the -- that was, I believe, is 7 a provision in the lease that upon any assignment of the 8 leases that's required by the lessee to do so, I do not 9 recall number three on this list, the amendment to oil 10 and gas lease and a certification of trust I believe was 11 brought to our attention in a -- in a title opinion as a 12 requirement from our title attorney. 13 Q. The assignment notice lists several companies or 14 limited partnership, and it's on the third page of this 15 e-mail and attachments. Do you see that -- that page? 16 A. Uh-huh. 17 Q. And the first company that's involved is BMT O&C 18 TX, LP. Do you have any idea of what that company is? 19 A. Well, besides Hunt Oil Company, all those 20 companies listed there collectively are commonly known 21 as Bass -- BOPCO the Bass Fort Worth. 22 Q. Okay. So this Bass -- and what -- what was the 23 second word? I'm sorry. 24 A. BOPCO, B-O-P-C-O. I -- 25 Q. Okay.</p>
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<p>1 MR. BEITER: I'm sorry, 814? 2 MR. FLEGLE: Yes, sir. 3 MR. BEITER: Okay. Did we finally resolve 4 the missing exhibit yesterday or do we have a blank? 5 MR. FLEGLE: We've got a blank. 6 MR. BEITER: Okay. 7 MR. FLEGLE: My fault. It's operator error. 8 MR. BEITER: Fair enough. 9 Q. (BY MR. FLEGLE) I've marked as Exhibit 814 an 10 e-mail with attachments dated April 23, 2010. The top e 11 -- the top e-mail is marked defendant's 96435. Do you 12 recognize this as an e-mail that you sent in April 2010? 13 A. I don't specifically recall this e-mail. 14 Q. Do you see in the e-mail that you're referencing 15 four items in bringing those to Mr. Tompkins' attention? 16 A. I do see that. 17 Q. And Mr. Tompkins was someone at JP Morgan that 18 you communicated with for purposes of South Texas 19 Syndicate leases? 20 A. Yes. 21 Q. Do you remember why you were sending this series 22 of documents, a cover letter, notice of assignment, an 23 amendment and a certification of trust, to Mr. Tompkins 24 in April 2010? 25 A. Do I recall why I was sending this to him? Is</p>	<p>1 A. I'm -- I'm assuming that stands for Bass 2 Operating Production Company. 3 Q. And all of the -- the companies other than Hunt 4 Oil -- and -- and, by the way, the notice of the 5 assignment and consent to assign has Hunt Oil Company as 6 50 percent interest? 7 A. That's correct. 8 Q. And then the rest of these companies have 9 interest that end up totaling 50 percent as well? 10 A. That's correct. 11 Q. And all of the companies other than Hunt Oil 12 you're saying were companies related to Bass BOPCO out 13 of Fort Worth? 14 A. Correct. 15 Q. Did -- as a result of this assignment and consent 16 to assign, were the operations of these four leases 17 transferred to the Bass BOPCO entities? 18 A. At this time Hunt Oil Company was a 50 percent 19 owner and the Bass companies owned 50 percent of the 20 leases and Hunt Oil Company was the designated operator. 21 Q. Do you remember any discussions with Mr. Tompkins 22 on or around the time of the -- of this notice of 23 assignment and consent about who these other companies 24 were? 25 A. I don't recall any specific conversations about</p>

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<p>1 that.</p> <p>2 Q. Or any questions to you from Mr. Tompkins about</p> <p>3 the background of these companies?</p> <p>4 A. No. I don't remem -- recall that.</p> <p>5 Q. Do you know whether as part of this assignment to</p> <p>6 the Bass BOPCO entities whether or not Hunt Oil received</p> <p>7 any compensation from the Bass BOPCO entities for the \$0</p> <p>8 percent that they received as part of this assignment in</p> <p>9 2010?</p> <p>10 A. No.</p> <p>11 Q. And who at Hunt Oil would have that information?</p> <p>12 A. To my recollection and -- the -- the assignment</p> <p>13 from Broad Oak was to Broad Oak and Hunt and the Bass</p> <p>14 entities. Well, I don't believe there was an assignment</p> <p>15 from Hunt to Bass.</p> <p>16 Q. Okay. And with -- with that understanding that</p> <p>17 the assignment from Broad Oak was to Hunt and the Bass</p> <p>18 entities, do you have any recollection now that we've --</p> <p>19 we've talked about it that way about what Hunt Oil paid</p> <p>20 for its share of the assignment from Broad Oak and what</p> <p>21 the Bass entities paid for their share?</p> <p>22 A. No. That would've taken place prior to my start</p> <p>23 time at Hunt.</p> <p>24 Q. And is there any record in the lease files of</p> <p>25 these leases about what amount of money was paid by Hunt</p>	<p>1 mark this as Exhibit 815 and see if you can identify it.</p> <p>2 It's an amendment to prior assignment.</p> <p>3 (Exhibit Number 815 marked.)</p> <p>4 Q. (BY MR. FLEGLE) And it's got an effective date</p> <p>5 of October 1, 2009, but it looks like this thing was</p> <p>6 executed -- if I'm reading the verifications correctly</p> <p>7 -- in April 2010?</p> <p>8 A. Uh-huh.</p> <p>9 Q. Does that refresh your memory about your role?</p> <p>10 A. Yeah, I have seen this document before and</p> <p>11 this -- the work on this particular amendment had</p> <p>12 started prior to my arrival at Hunt, so I was not the</p> <p>13 point person on this particular document.</p> <p>14 Q. Okay. Who was at Hunt Oil?</p> <p>15 A. To my recollection, I believe, Larry Guzick.</p> <p>16 Q. And did you have an understanding in 2010 of why</p> <p>17 this assignment -- this amendment to prior assignment</p> <p>18 was necessary?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. Yeah, I'd have to look at it again. I'd have to</p> <p>21 refresh my memory on that.</p> <p>22 Q. (BY MR. FLEGLE) Sitting here today, though, you</p> <p>23 don't know -- you can't recall?</p> <p>24 A. No. Not -- not with -- not with certainty.</p> <p>25 Q. Well, just looking at the amendment today, is</p>
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<p>1 Oil and what was paid by the Bass entities for the</p> <p>2 assignment from Broad Oak?</p> <p>3 A. I don't know. Without reviewing the files, I --</p> <p>4 I couldn't say.</p> <p>5 Q. Are you familiar with how Hunt Oil keeps track of</p> <p>6 what it pays for assignments of leases?</p> <p>7 A. Generally that information is within our lease</p> <p>8 files and it's kept in our lease records department.</p> <p>9 Q. And are these the lease files that you have</p> <p>10 access to when you have responsibility for lease files?</p> <p>11 A. Yes.</p> <p>12 Q. It's just that today in this deposition you don't</p> <p>13 remember what information was in there about what was</p> <p>14 paid?</p> <p>15 A. Exactly.</p> <p>16 Q. Did you have any role in creating and negotiating</p> <p>17 the amendment to prior assignment that relates to the</p> <p>18 assignment from Broad Oak Energy to Hunt Oil and the</p> <p>19 Bass entities?</p> <p>20 A. What's the date of that?</p> <p>21 Q. The date?</p> <p>22 A. Yeah.</p> <p>23 Q. Yes, the variations look like April 2010.</p> <p>24 A. Uh-huh.</p> <p>25 MR. FLEGLE: Let me -- let me go ahead and</p>	<p>1 there anything in general that you remember about this</p> <p>2 transaction?</p> <p>3 A. No. I don't -- I know I've seen this document</p> <p>4 and I've reviewed this document, but I don't</p> <p>5 specifically remember what -- what it stipulates.</p> <p>6 Q. Do you know whether or not there was a written</p> <p>7 consent to the assignment executed by JP Morgan?</p> <p>8 A. I do not recall that. I -- wait. I'm sorry.</p> <p>9 Rephrase that question. Which consent to assignment are</p> <p>10 you referring to?</p> <p>11 Q. Do you recall whether there was a consent --</p> <p>12 there was a consent to assign the amended -- the</p> <p>13 amendment that you and I just talked about executed by</p> <p>14 JP Morgan?</p> <p>15 A. Uh-huh. And your question again was?</p> <p>16 Q. Do you know whether there was a written consent</p> <p>17 to the amendment to prior assignment --</p> <p>18 A. No, I do not.</p> <p>19 Q. -- executed by JP Morgan?</p> <p>20 A. Sorry. I do not recall.</p> <p>21 Q. Now after the -- the amendment to assignment was</p> <p>22 executed, there were some -- do you recall whether or</p> <p>23 not there were some discussions between Hunt Oil and JP</p> <p>24 Morgan about lease amendments?</p> <p>25 A. Yes. There's been discussions between Hunt Oil</p>

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<p>1 and JP Morgan about lease amendments.</p> <p>2 MR. FLEGLE: And the very next month in</p> <p>3 May of 2010 let me show you Exhibit 816 an e-mail from</p> <p>4 you dated May 7, 2010.</p> <p>5 (Exhibit Number 816 marked.)</p> <p>6 Q. (BY MR. FLEGLE) Do you recognize that as one of</p> <p>7 your e-mails?</p> <p>8 A. I do.</p> <p>9 Q. Do you recall the issues that were being</p> <p>10 addressed in this e-mail or the attachment or</p> <p>11 attachments?</p> <p>12 A. Yes, I do recall those issues.</p> <p>13 Q. And what -- what were the issues that were being</p> <p>14 addressed by this request for an amendment to leases</p> <p>15 involving South Texas Syndicate mineral interests?</p> <p>16 A. The issues involved -- involved primarily our</p> <p>17 continuous development provision and the retained</p> <p>18 acreage provision.</p> <p>19 Q. And from the continuous development standpoint,</p> <p>20 what was the issue that Hunt Oil was interested in?</p> <p>21 A. Hunt Oil Company, our goal was to, I believe, the</p> <p>22 lease as written had a 60-day requirement from after the</p> <p>23 expiration of the primary term to -- from the completion</p> <p>24 of one well to the commencement of the next. It was</p> <p>25 60 days and we wanted to revise that to what we felt was</p>	<p>1 Q. In the first bullet it says, "The amendment</p> <p>2 addresses three key issues." Bullet 1: "Extends the</p> <p>3 allowable time from 60 days to 120 days between the</p> <p>4 completion of one well and the commencement of another."</p> <p>5 Was the intent to get it to 90 days or 120?</p> <p>6 A. It appears from this e-mail that our initial</p> <p>7 proposal was 120 days.</p> <p>8 Q. Okay. And what this would mean is that the time</p> <p>9 between the completion of a well that Hunt Oil completed</p> <p>10 on a lease to the required time to start or commence</p> <p>11 another well would be extended?</p> <p>12 A. Correct.</p> <p>13 Q. In fact, the request here was to double that</p> <p>14 time?</p> <p>15 A. Correct.</p> <p>16 Q. Which would mean that the number of wells that</p> <p>17 would be required by the lease to be drilled by Hunt Oil</p> <p>18 would be reduced and extended out over a longer period</p> <p>19 of time?</p> <p>20 MR. BEITER: Objection; form.</p> <p>21 MR. DAVIDSON: Objection; form.</p> <p>22 Q. (BY MR. FLEGLE) Let me just say, if for example,</p> <p>23 in one year, the allowable time for drilling between the</p> <p>24 completion of one well and the commencement of another</p> <p>25 was currently at 60 days -- are you with me so far?</p>
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<p>1 a more standard common industry number of 90 days, and</p> <p>2 we also wanted to clear up -- to revise what -- what was</p> <p>3 deemed to be the point in time in which a well was</p> <p>4 deemed to be completed. The lease as written, I</p> <p>5 believe, deemed a well to be completed at the point in</p> <p>6 time when the drilling rig was released, and we wanted</p> <p>7 that revised to when the frac equipment was released.</p> <p>8 Q. And -- and both of those issues that you just</p> <p>9 described were within what you were talking about: The</p> <p>10 continuous development issues?</p> <p>11 A. Yes.</p> <p>12 Q. And in -- in terms of both of those issues, if</p> <p>13 they were resolved as requested by Hunt Oil, these would</p> <p>14 be resolutions that would be valuable to Hunt Oil in its</p> <p>15 operations on -- on the leases, correct?</p> <p>16 A. We felt like that -- I think our position was</p> <p>17 that it was much more practical and it was advantageous</p> <p>18 to all parties involved.</p> <p>19 Q. Well, let's see. The extension you said from</p> <p>20 60 days to 90 days -- and -- and I just want to clarify</p> <p>21 my -- my understanding here -- in the letter that is</p> <p>22 attached to your May 7th e-mail and the first bullet --</p> <p>23 and by the way, this letter came -- came from you; did</p> <p>24 it not?</p> <p>25 A. Uh-huh. Correct.</p>	<p>1 A. Uh-huh.</p> <p>2 Q. And if that allowable time between the completion</p> <p>3 of one well and the commencement of another was extended</p> <p>4 to 120 days -- are you with me there?</p> <p>5 A. Uh-huh.</p> <p>6 Q. If there was an extension of -- to 120 days, the</p> <p>7 number of wells required to be drilled during a certain</p> <p>8 period of time under the lease would be fewer --</p> <p>9 MR. BEITER: Objection; form.</p> <p>10 Q. (BY MR. FLEGLE) -- right?</p> <p>11 A. Well, our -- our goal was to have the ability to</p> <p>12 drill a well, frac a well and to have more than 60 days</p> <p>13 to analyze the well data and that well performance prior</p> <p>14 to commencing another well.</p> <p>15 Q. I -- I understand your goal, but the effect of</p> <p>16 getting to that goal would be the lease would require</p> <p>17 fewer wells during the same period of time to be drilled</p> <p>18 to keep the lease?</p> <p>19 A. I would say that's accurate.</p> <p>20 Q. Okay. And then if we go to the time from when</p> <p>21 the well was completed and you went from the time that</p> <p>22 the -- the completion from when the drilling rig -- rig</p> <p>23 is removed to the latter of the date the drilling rig is</p> <p>24 removed or the fracturing equipment is removed that's</p> <p>25 also going to extend the time --</p>

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<p>1 MR. BEITER: Objection; form. Sorry.</p> <p>2 Q. (BY MR. FLEGLE) -- in between the completion of</p> <p>3 one well and the commencement of another as required by</p> <p>4 the leases amended --</p> <p>5 MR. BEITER: Objection; form.</p> <p>6 Q. (BY MR. FLEGLE) -- right?</p> <p>7 A. Yeah, that -- that would extend the period of</p> <p>8 time between wells.</p> <p>9 Q. Okay. And then in -- in bullet number two of</p> <p>10 your letter of May 7th, 2010 there's a well spacing</p> <p>11 issue. Tell me what that was about.</p> <p>12 A. That was pertaining to how much acreage could be</p> <p>13 assigned or retained by any given well from what the</p> <p>14 existing lease said to what we had -- to what we thought</p> <p>15 was common industry standard and what the railroad</p> <p>16 commission had approved.</p> <p>17 Q. And on that particular issue then, Hunt Oil was</p> <p>18 asking JP Morgan as trustee for an amendment to the</p> <p>19 lease. This one looks like it's talking about</p> <p>20 4,224-acre lease.</p> <p>21 A. Is this a separate e-mail you're talking about</p> <p>22 now?</p> <p>23 Q. No --</p> <p>24 A. Oh, you're talking about this one.</p> <p>25 Q. I'm talking about your letter. Let me start the</p>	<p>1 Q. (BY MR. FLEGLE) Did you personally have</p> <p>2 discussions with Mr. Tompkins or anybody at JP Morgan</p> <p>3 about these amendments?</p> <p>4 A. I did.</p> <p>5 Q. Who did you discuss the amendments with?</p> <p>6 A. Mr. Tompkins.</p> <p>7 Q. Anyone else?</p> <p>8 A. No, not that I recall.</p> <p>9 Q. Did you find that Mr. Tompkins in terms of his</p> <p>10 communications with you was responsive?</p> <p>11 A. I would say, at times, myself and others at Hunt</p> <p>12 Oil Company felt as though Mr. Tompkins was unresponsive</p> <p>13 for a period of time from time to time. I remember</p> <p>14 thinking that I had sent several e-mails and left</p> <p>15 several phone messages and did not receive a prompt</p> <p>16 response at -- at some -- at some juncture.</p> <p>17 Q. And you -- and some of those communications were</p> <p>18 e-mails from you to Mr. Tompkins?</p> <p>19 A. Yes.</p> <p>20 Q. And some of them were phone messages from you to</p> <p>21 Mr. Tompkins?</p> <p>22 A. Yes.</p> <p>23 Q. Did Mr. Tompkins ever explain to you why he</p> <p>24 wasn't getting back to you?</p> <p>25 A. He explained to me that I -- I recall receiving</p>
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<p>1 question again. I apologize. So in -- in terms of what</p> <p>2 you're addressing in this May 7, 2010 letter in bullet</p> <p>3 number two, if I'm understanding it right, it was Hunt</p> <p>4 Oil's view that the leases allowed a number of acres to</p> <p>5 be maintained as held by production once a well had been</p> <p>6 completed. Let's just call that -- we'll just say it's</p> <p>7 320 acres.</p> <p>8 A. The lease is -- it was less than 320 acres.</p> <p>9 Q. Okay.</p> <p>10 A. But there was a provision in the lease that</p> <p>11 allowed Hunt Oil Company to retain a certain amount of</p> <p>12 acres around a -- a producing well.</p> <p>13 Q. And the impact of this request for this amendment</p> <p>14 from Hunt Oil to JP Morgan as trustee was to increase</p> <p>15 the number of acres that would be held by a well that</p> <p>16 was completed?</p> <p>17 A. Well, our request was to allow Hunt Oil Company</p> <p>18 to be allowed to use the field rules that the Railroad</p> <p>19 Commission had established for that field.</p> <p>20 Q. And the result of using those field rules would</p> <p>21 be to increase the number of acres that would be held by</p> <p>22 a well drove --</p> <p>23 A. That would -- that --</p> <p>24 MR. BEITER: Objection; form.</p> <p>25 A. That would have been the end result.</p>	<p>1 e-mails that they had received our proposal and that</p> <p>2 they were being reviewed and that he had hoped to get</p> <p>3 back with me, you know, something to the effect of in</p> <p>4 the near future.</p> <p>5 Q. Did he also mention, to your recollection, issues</p> <p>6 involving he was out of town on other business?</p> <p>7 A. Yeah, I remember him saying that he had been in,</p> <p>8 you know, his -- his office is here in Dallas. I</p> <p>9 remember times where he said, I was in Houston. There</p> <p>10 were some other places.</p> <p>11 Q. And were these lease amendment issues that you</p> <p>12 were addressing with Mr. Tompkins starting here in</p> <p>13 May 2010 issues that were important to Hunt Oil?</p> <p>14 A. I would say it was important to Hunt Oil, yes.</p> <p>15 Q. Now, at the time these amendment issues were</p> <p>16 brought up in May 2010, had Hunt Oil commenced drilling</p> <p>17 any wells on the South Texas Syndicate property?</p> <p>18 A. I'm fairly certain that our initial well on these</p> <p>19 STS leases was in 2010, but I don't recall at what point</p> <p>20 during that year that was.</p> <p>21 Q. Was there a need at Hunt Oil to have these lease</p> <p>22 amendment issues resolved before drilling commenced?</p> <p>23 A. Well, at that time the leases were still within</p> <p>24 their primary term and -- so I don't believe -- we -- we</p> <p>25 -- it wasn't necessary for these amendments to be</p>

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<p>1 executed prior to us commencing a well.</p> <p>2 Q. Do you remember any request by Hunt Oil to JP</p> <p>3 Morgan as trustee for the South Texas Syndicate to</p> <p>4 extend the time for delay rental payments in 2010?</p> <p>5 A. I do not recall requesting that.</p> <p>6 MR. FLEGLE: Let me show you an e-mail in</p> <p>7 June of 2010. I'll mark it Exhibit 817. It's dated</p> <p>8 June 7, 2010. I'll give you a chance to see if this</p> <p>9 refreshes your memory about the -- at least the</p> <p>10 amendments.</p> <p>11 (Exhibit Number 817 marked.)</p> <p>12 THE WITNESS: Okay.</p> <p>13 Q. (BY MR. FLEGLE) And then, this is an e-mail that</p> <p>14 you sent to Mr. Tompkins, right?</p> <p>15 A. Correct.</p> <p>16 Q. And in -- in the e-mail you were identifying some</p> <p>17 lease amendments or a lease amendment to the oil and gas</p> <p>18 lease that needed attention?</p> <p>19 A. Uh-huh.</p> <p>20 Q. Right?</p> <p>21 A. Correct.</p> <p>22 Q. And a Certification of Trust document that needed</p> <p>23 some attention?</p> <p>24 A. Correct.</p> <p>25 Q. And you tell Mr. Tompkins, "I'm sure that you can</p>	<p>1 Q. And were these issues that we're talking about in</p> <p>2 these e-mail issues that you were responsible for</p> <p>3 internally at Hunt Oil?</p> <p>4 A. Yes.</p> <p>5 Q. Now in your June 7, 2010 e-mail, you go on to</p> <p>6 say, "This issue is beginning to become more urgent as</p> <p>7 the days go by. I would very much appreciate it if you</p> <p>8 would give me an update on both documents at your</p> <p>9 earliest convenience." Do you recall whether you got</p> <p>10 any reaction from Mr. Tompkins on that issue?</p> <p>11 A. No. I'm -- I'm sure I did, but I don't -- I</p> <p>12 don't specifically recall the response.</p> <p>13 Q. Do you remember during this period of time that</p> <p>14 you were talking about the amendments to the leases</p> <p>15 whether or not Mr. Tompkins raised any issue of</p> <p>16 compensation to the South Texas Syndicate for the -- for</p> <p>17 agreement to amend these leases?</p> <p>18 A. As far as I can remember and as a general rule,</p> <p>19 we have always compensated JP Morgan an exchange for</p> <p>20 execution of lease amendments.</p> <p>21 Q. Do you remember what compensation -- I'll tell</p> <p>22 you what. I'll get there in a minute. Let me stop just</p> <p>23 for a second. Other than the leases that Hunt Oil</p> <p>24 obtained from Broad Oak involving the South Texas</p> <p>25 Syndicate Trust mineral interest, did Hunt Oil have any</p>
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<p>1 appreciate that I have others depending on me to do my</p> <p>2 job so that they can do theirs." Who were the others</p> <p>3 you were talking about there?</p> <p>4 A. I don't specifically recall.</p> <p>5 Q. Were the others at Hunt Oil?</p> <p>6 A. Yes.</p> <p>7 Q. Now, during these -- these discussions that you</p> <p>8 had with Mr. Tompkins about these documents -- I say</p> <p>9 discussions, let me start again. During this dialogue,</p> <p>10 whether it was in e-mails or in conversation with</p> <p>11 Mr. Tompkins, was there anyone from the Bass companies</p> <p>12 represented?</p> <p>13 A. Was -- was there anyone in the Bass company</p> <p>14 represented in --</p> <p>15 Q. That's a bad -- that's a bad question. Was there</p> <p>16 anybody during the conver -- the communications that you</p> <p>17 were having between -- well, let me start again. At any</p> <p>18 time during the communications here in this June, July</p> <p>19 time frame in 2010 between you and Mr. Tompkins at JP</p> <p>20 Morgan, was there anyone from the Bass lessees involved?</p> <p>21 A. Not in those conversations, no.</p> <p>22 Q. Were there any conversations in 2010 involving</p> <p>23 these South Texas Syndicate leases that included</p> <p>24 representative -- representatives of the Bass companies?</p> <p>25 A. No.</p>	<p>1 other leases in the Eagle Ford that involved JP Morgan</p> <p>2 acting as trustee for the lessors?</p> <p>3 A. We do have leases in other counties that whereby</p> <p>4 the Red Crest Trust is the beneficiary, JP Morgan is the</p> <p>5 trustee, and Hunt Oil Company is the lessee.</p> <p>6 Q. And are you responsible internally at Hunt Oil</p> <p>7 for the Red Crest -- the Red Crest Trust leases?</p> <p>8 A. Some of them.</p> <p>9 Q. You know about how many people are involved in</p> <p>10 the Hunt Oil interests?</p> <p>11 A. No, not with certainty.</p> <p>12 Q. In terms of the ones that you were involved in as</p> <p>13 land manager or senior land manager with the Red Crest</p> <p>14 Trust -- Red Crest Trust, who at JP Morgan did you deal</p> <p>15 with?</p> <p>16 A. In terms of the Red Crest Trust leases, Jason</p> <p>17 Beck and Phillip Mettham.</p> <p>18 MR. DAVIDSON: Why don't you spell Mettham,</p> <p>19 if you know.</p> <p>20 THE WITNESS: Mettham, I believe is</p> <p>21 M-E-T-T-H-A-M.</p> <p>22 Q. (BY MR. FLEGLE) Okay. Do you remember what</p> <p>23 county the Red Crest Trust leases are in -- is in or?</p> <p>24 A. Primarily Wilson County. It's possible we have</p> <p>25 some that fall into Karnes County but primarily Wilson</p>

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<p>1 County.</p> <p>2 MR. FLEGLE: Now, about a week later, eight</p> <p>3 days or so, there's another e-mail dated June 15 from</p> <p>4 you. I've marked it as Exhibit 818.</p> <p>5 THE WITNESS: Okay.</p> <p>6 (Exhibit Number 818 marked.)</p> <p>7 Q. (BY MR. FLEGLE) Does this refresh your memory</p> <p>8 that there was a request to Mr. Tompkins to extend the</p> <p>9 due date to pay rentals on the 4,224-acre lease that</p> <p>10 Hunt Oil had on the South Texas Syndicate mineral</p> <p>11 interest?</p> <p>12 A. I don't recall this e-mail but -- okay.</p> <p>13 Q. Do -- generally speaking this request here for</p> <p>14 delay rentals was a request to extend the delay rental</p> <p>15 payment date from July 25, 2010 to August 25, 2010,</p> <p>16 correct?</p> <p>17 A. Correct.</p> <p>18 Q. And the end result was if this extension was</p> <p>19 granted, Hunt Oil had an additional 30 days within which</p> <p>20 to begin or commence drilling on this lease?</p> <p>21 A. Uh-huh.</p> <p>22 Q. Correct?</p> <p>23 A. Correct.</p> <p>24 Q. And the end result is if the drilling was</p> <p>25 commenced before August 25, 2010, the delay rental</p>	<p>1 tomorrow with the powers that be here at Hunt." Who was</p> <p>2 that, the powers that be here at Hunt in June 2010?</p> <p>3 A. I don't recall specifically.</p> <p>4 Q. Why were you telling Mr. Tompkins that you were</p> <p>5 having a meeting tomorrow with the powers that be here</p> <p>6 at Hunt?</p> <p>7 A. Why was I telling him that?</p> <p>8 Q. Yes, sir.</p> <p>9 A. I don't recall specifically, but I was more than</p> <p>10 likely in hopes that it might promote a faster response.</p> <p>11 Q. Now, at this point in time in June of 2010, did</p> <p>12 you have any understanding of whether or not Hunt Oil</p> <p>13 did a lot of business with JP Morgan that is separate</p> <p>14 and apart from the leasehold issues on the South Texas</p> <p>15 Syndicate mineral interest and the leasehold issues on</p> <p>16 the Red Crest Trusts interests?</p> <p>17 A. I don't recall what my knowledge base was of our</p> <p>18 -- to the extent of Hunt's relationship with JP Morgan.</p> <p>19 Q. Did anybody tell you at this point in time that</p> <p>20 you recall that Hunt Oil did a lot of business with JP</p> <p>21 Morgan?</p> <p>22 A. I -- I don't recall.</p> <p>23 Q. Do you remember anybody telling you that because</p> <p>24 of this business relationship with Hunt Oil and JP</p> <p>25 Morgan, that relationship should be used to get some</p>
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<p>1 payments would go from \$100 per acre to \$50 per acre,</p> <p>2 right?</p> <p>3 A. Correct.</p> <p>4 Q. Now, was this amendment, to your recollection,</p> <p>5 approved by JP Morgan as trustee?</p> <p>6 A. I don't recall.</p> <p>7 Q. Do you recall whether there was any compensation</p> <p>8 paid to JP Morgan as trustee of the South Texas</p> <p>9 Syndicate Trust for an extension of the delayed rental</p> <p>10 date?</p> <p>11 A. No, I don't.</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 (Exhibit Number 819 marked.)</p> <p>14 Q. (BY MR. FLEGLE) Let's see that communication</p> <p>15 that I believe that I provided to you was June 15. Let</p> <p>16 me see if I can refresh your memory about further</p> <p>17 communications in June on those issues. Here's an</p> <p>18 e-mail dated June 24, 2010. I've marked it as</p> <p>19 Exhibit 819. Is that an e-mail from you to</p> <p>20 Mr. Tompkins?</p> <p>21 A. It appears so.</p> <p>22 Q. Do you know whether or not you got a response</p> <p>23 from Mr. Tompkins to this e-mail?</p> <p>24 A. I don't recall.</p> <p>25 Q. You write, "Mr. Tompkins I have a meeting</p>	<p>1 reactions out of Mr. Tompkins?</p> <p>2 A. I recall --</p> <p>3 MR. BEITER: Objection; form.</p> <p>4 A. I recall at some point in time there were some</p> <p>5 conversations that executives at Hunt would be willing</p> <p>6 to contact, perhaps, maybe their counterparts at JP</p> <p>7 Morgan to see if there was a way to promote a faster</p> <p>8 response from JP Morgan on our proposals.</p> <p>9 Q. (BY MR. FLEGLE) And how did -- how did you get</p> <p>10 the information that executives at Hunt Oil would be</p> <p>11 willing to contact their counterparts at JP Morgan?</p> <p>12 A. I don't recall.</p> <p>13 Q. Do you remember who told you that these Hunt Oil</p> <p>14 executives would be willing to contact their</p> <p>15 counterpoint -- parts?</p> <p>16 A. No.</p> <p>17 Q. I take it you didn't just make that up?</p> <p>18 A. That -- I'm sorry?</p> <p>19 Q. You just didn't make up the concept that -- that</p> <p>20 Hunt Oil executives would be willing to control --</p> <p>21 contact their counterparts at JP Morgan to get some</p> <p>22 deal?</p> <p>23 A. No, I didn't make that up.</p> <p>24 Q. And -- and sitting here today you don't know</p> <p>25 which executives at Hunt Oil would have been contacting</p>

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<p>1 who?</p> <p>2 A. No.</p> <p>3 Q. And do you know whether or not any executives at</p> <p>4 Hunt Oil in fact contacted their counterparts at JP</p> <p>5 Morgan to -- to resolve issues involving the</p> <p>6 South Texas Syndicate leases?</p> <p>7 A. I believe there was some point of contact there,</p> <p>8 but I don't know who made that contact and to whom they</p> <p>9 contacted at JP Morgan.</p> <p>10 Q. And let me just stop right there for a second.</p> <p>11 This -- some -- some point of contact, do you remember</p> <p>12 from a calendar standpoint what year the contact was</p> <p>13 made?</p> <p>14 A. No. At -- no, I don't.</p> <p>15 Q. Do you know whether or not from the standpoint of</p> <p>16 the contact that you learned about, whether or not that</p> <p>17 contact was successful in getting results for issues</p> <p>18 that Hunt Oil was interested in resolving?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. Can you repeat that question? I'm sorry.</p> <p>21 Q. (BY MR. FLEGLE) Sure. Do you know -- do you</p> <p>22 have any knowledge of whether or not after this contact</p> <p>23 that you don't recall who made a contact to whom</p> <p>24 outstanding issues between Hunt Oil and JP Morgan as</p> <p>25 trustee for the South Texas Syndicate were resolved?</p>	<p>1 Q. And then attached to the e-mail is a document</p> <p>2 that's got the same date and it's labeled</p> <p>3 confidentiality agreement and it goes on for three pages</p> <p>4 and it's got a signature line for it looks like you,</p> <p>5 Bill Osborn, landman Hunt Oil Company. Am I reading</p> <p>6 that right?</p> <p>7 A. Yes.</p> <p>8 Q. Does this refresh your memory of a request by</p> <p>9 Hunt Oil to JP Morgan as trustee for the South Texas</p> <p>10 Syndicate to enter a confidentiality agreement?</p> <p>11 A. That's what it looks like for a -- in regards to</p> <p>12 daily drilling information.</p> <p>13 Q. Do you know whether or not Hunt Oil and JP Morgan</p> <p>14 as trustee agreed to confidentiality for that</p> <p>15 information?</p> <p>16 A. I don't recall. I -- no, I don't recall. If</p> <p>17 this doc -- are you asking if this document was</p> <p>18 executed?</p> <p>19 Q. Right.</p> <p>20 A. I do not recall.</p> <p>21 (Exhibit Number 820 marked.)</p> <p>22 Q. (BY MR. FLEGLE) Let me show you a further e-mail</p> <p>23 exchange from you to Mr. Tompkins on August 10, 2010.</p> <p>24 I've marked it as Exhibit 820. In that exchange is the</p> <p>25 top and bottom -- is the top e-mail an e-mail from you</p>
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<p>1 A. No.</p> <p>2 MR. DAVIDSON: Jim, we've been going about</p> <p>3 an hour.</p> <p>4 MR. FLEGLE: Yeah. Yeah.</p> <p>5 MR. DAVIDSON: When you -- if you hit a</p> <p>6 break spot just whenever.</p> <p>7 MR. FLEGLE: Let's break it.</p> <p>8 MR. DAVIDSON: Okay.</p> <p>9 THE VIDEOGRAPHER: Off the record at</p> <p>10 11:05 a.m.</p> <p>11 (Break taken from 11:05 a.m. to 11:15 a.m.)</p> <p>12 THE VIDEOGRAPHER: Back on the record at</p> <p>13 11:15 a.m.</p> <p>14 Q. (BY MR. FLEGLE) Do you recall any requests in</p> <p>15 2010 to JP Morgan as trustee to enter a confidentiality</p> <p>16 agreement?</p> <p>17 A. No, I don't recall that.</p> <p>18 (Exhibit Number 395 referenced.)</p> <p>19 Q. (BY MR. FLEGLE) Let me show you what's</p> <p>20 previously been marked as 395 and see if you can</p> <p>21 identify that exhibit as an e-mail from you to</p> <p>22 Mr. Tompkins dated August 10, 2010.</p> <p>23 A. Okay.</p> <p>24 Q. Is that an e-mail from you to Mr. Tompkins?</p> <p>25 A. It appears so.</p>	<p>1 to Mr. Tompkins?</p> <p>2 A. Is the top and bottom?</p> <p>3 Q. No. The -- is the top e-mail an exchange between</p> <p>4 you and Mr. Tompkins?</p> <p>5 A. Yes, it appears so.</p> <p>6 Q. And you see that your e-mail is in response to an</p> <p>7 e-mail from Mr. Tompkins earlier that day where</p> <p>8 Mr. Tompkins wrote, "Bill, this CA" -- and he's</p> <p>9 referencing the confidentiality agreement --</p> <p>10 A. Right.</p> <p>11 Q. -- on what Hunt Oil is requesting. "This CA is</p> <p>12 far reaching and contrary to Paragraph 10 of the lease."</p> <p>13 And is that comment what you were responding to in your</p> <p>14 e-mail about two hours later?</p> <p>15 A. It appear -- what was your question? Was my</p> <p>16 e-mail in response to his; is that --</p> <p>17 Q. Right.</p> <p>18 A. It appears so.</p> <p>19 Q. And the issue here was whether or not Hunt Oil</p> <p>20 was going to give drilling reports and things other than</p> <p>21 geophysical information to JP Morgan its trustee on a --</p> <p>22 on an as -- as received basis, right?</p> <p>23 A. It appears so.</p> <p>24 Q. And do you know whether or not after this e-mail</p> <p>25 exchange in August 2010 Hunt Oil in fact provided JP</p>

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<p>1 Morgan with drilling reports and other reports on an as 2 received basis?</p> <p>3 A. Currently JP Morgan is on the distribution list 4 to receive daily drilling reports, but I don't recall if 5 it -- it was a result of the CA being executed or if 6 just -- we just started to send it to them despite the 7 CA not being executed. I don't recall specifically.</p> <p>8 Q. And you're talking about the CA here. What was 9 the reason Hunt Oil wanted a confidentiality agreement 10 with JP Morgan?</p> <p>11 A. I don't recall specifically, but I would need to 12 review the provisions in the lease that refer to the 13 information that JP Morgan is obligated to receive from 14 Hunt, but I would expect that I was -- reviewed the 15 lease and spoke to our legal department about the 16 provision. And the result was I was advised to propose 17 that JP Morgan and H.L. Tompkins execute the 18 confidentiality agreement by our legal department or -- 19 or management or both.</p> <p>20 Q. And do you remember who internally at Hunt Oil 21 asked you to get this confidentiality agreement?</p> <p>22 A. Not specifically.</p> <p>23 Q. Or generally who it could've been?</p> <p>24 A. It could have been Curtis Riddle and/or Larry 25 Guzik.</p>	<p>1 lease amendment. This amendment would amend all four 2 STS leases in which Hunt Oil Company has an interest."</p> <p>3 A. Uh-huh.</p> <p>4 Q. At the time of your e-mail of August 26, 2010, 5 had you received a response from Mr. Tompkins?</p> <p>6 A. On this I'm not sure in response -- in response 7 as to what?</p> <p>8 Q. Had -- had Mr. Tompkins expressed a position that 9 JP Morgan as trustee for the South Texas Syndicate took 10 on these proposed amendments that you have attached?</p> <p>11 A. On the date that I sent this e-mail?</p> <p>12 Q. Before the date.</p> <p>13 A. I don't recall. I think -- I'm sure H.L. 14 Tompkins had told me that they were in the process of 15 evaluating our proposals. I -- I don't recall.</p> <p>16 Q. Other than Mr. Tompkins at JP Morgan, did you 17 have any conversations with anybody else at JP Morgan 18 concerning these lease amendments --</p> <p>19 A. No, sir.</p> <p>20 Q. -- whether subject to this --</p> <p>21 A. I don't -- I don't --</p> <p>22 Q. -- August?</p> <p>23 A. I don't think so.</p> <p>24 Q. We'll -- we'll go forward.</p> <p>25 A. It appears to me that this -- the initial</p>
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<p>1 Q. Now, along with these discussions you were having 2 about confidentiality and drilling reports with 3 Mr. Tompkins, there were also some discussions during 4 this period of time about lease amendments. Do you 5 remember that?</p> <p>6 A. We continually had discussions about lease 7 amendments over the past few years on and off.</p> <p>8 Q. What do you remember about the discussions on 9 lease amendments in August of 2010, if anything?</p> <p>10 A. It wouldn't surprise me that we were having those 11 discussions, but I don't recall specifically what -- 12 what those details of those discussions were if there 13 were some.</p> <p>14 (Exhibit Number 821 marked.)</p> <p>15 Q. (BY MR. FLEGLE) Let me show you Exhibit 821 16 which is an e-mail dated August 26th, 2010. The first 17 question is: Can you recognize the cover e-mail as an 18 e-mail from you?</p> <p>19 A. Uh-huh. Right.</p> <p>20 Q. And the e-mail is forwarding to Mr. Tompkins a 21 lease amendment, and the lease amendment looks like it's 22 attached, right?</p> <p>23 A. Correct.</p> <p>24 Q. And you write, "Mr. Tompkins, per our 25 conversation a couple weeks ago attached is our proposed</p>	<p>1 amendment that we discussed about retained acreage and 2 all of that was an end result of this e-mail. We 3 already -- okay. So yeah, so there was an amendment in 4 October, if I remember right that was a result of this 5 proposal.</p> <p>6 (Exhibit Number 822 marked.)</p> <p>7 Q. (BY MR. FLEGLE) All right. And I'll tell you 8 what, we'll get to that October amendment I believe in 9 just a amendment -- in just a minute. About 12 days 10 after the e-mail that I just showed you there's another 11 e-mail dated September 7, 2010, and I marked it as 12 Exhibit 822. And my first question to you is whether or 13 not this was an e-mail that you wrote to Mr. Tompkins?</p> <p>14 A. Okay.</p> <p>15 Q. Do you recall this e-mail?</p> <p>16 A. I do.</p> <p>17 Q. And is it yours?</p> <p>18 A. It appears so.</p> <p>19 Q. You write, "Mr. Tompkins, I am hopeful that you 20 will contact me at your earliest convenience regarding 21 the lease amendment proposal that I have submitted to 22 you." And that's the proposal that we were just talking 23 about in the earlier e-mail, right?</p> <p>24 A. I would assume so.</p> <p>25 Q. "As I have mentioned to you in my previous three</p>

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<p>1 or four e-mails and voice mails, we are trying to plan</p> <p>2 our drilling schedule, line up frac dates, et cetera and</p> <p>3 we cannot efficiently do any of these things if we do</p> <p>4 not amend the lease." Does this help you recall between</p> <p>5 your e-mail of August 26, 2010, which we marked as</p> <p>6 Exhibit 821, and this e-mail September 7, 2010, you had</p> <p>7 not heard back from Mr. Tompkins?</p> <p>8 A. That's -- I don't recall specifically but it</p> <p>9 appears that way.</p> <p>10 Q. And then in your second paragraph you write,</p> <p>11 "Furthermore, I want you to be aware that I have been</p> <p>12 asked on multiple occasions, by senior level management"</p> <p>13 -- and that senior level management is Hunt Oil; is that</p> <p>14 correct?</p> <p>15 A. Correct.</p> <p>16 Q. -- "to give an update on the lease amendment</p> <p>17 proposal pertaining to the lease terms that among other</p> <p>18 things restrict our ability to pool, provide onerous</p> <p>19 continuous development clauses and stipulate well</p> <p>20 density provisions that limit permitted RRC field</p> <p>21 rules." That's Railroad Commission field rules, right?</p> <p>22 A. Correct.</p> <p>23 Q. And these are the issues that were important to</p> <p>24 Hunt Oil senior level management here in September 2010</p> <p>25 as related to the leases on the South Texas Syndicate</p>	<p>word.</p> <p>Q. (BY MR. FLEGLE) Okay. And did Mr. Easley</p> <p>express his frustration to you?</p> <p>A. I don't recall a specific time where he did, but</p> <p>I -- I think at that time it was myself and Mr. Easley</p> <p>and Mr. Guzik we were all somewhat frustrated.</p> <p>Q. Then you write in the next one-line paragraph,</p> <p>"Unfortunately, my answer in all of these meetings is</p> <p>always the same, quote, 'I am waiting to hear back from</p> <p>JP Morgan.'" End of quote. How often did these meetings</p> <p>occur that you're referencing here?</p> <p>A. Hunt Oil Company were known to have several</p> <p>meetings a week, so I would say that we -- without</p> <p>hesitation I would say that there were at least two or</p> <p>three meetings a week where we discussed operational</p> <p>issues.</p> <p>Q. And were these operational issues issues -- that</p> <p>included issues on the South Texas Syndicate mineral</p> <p>interest?</p> <p>A. On -- partly.</p> <p>Q. And they'd also include operational issues --</p> <p>A. Yeah.</p> <p>Q. -- on other interests?</p> <p>A. Correct.</p> <p>Q. Now, in terms of the meetings that you were</p>
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<p>1 mineral interest, correct?</p> <p>2 A. Yeah, correct.</p> <p>3 Q. Okay.</p> <p>4 A. It was important to everyone that was involved</p> <p>5 with the expiration and production of the leases here at</p> <p>6 Hunt.</p> <p>7 Q. And did the senior level management that you were</p> <p>8 referencing in this paragraph also include any senior</p> <p>9 level management at the Bass companies that were</p> <p>10 lessees?</p> <p>11 A. I don't believe so. I think it was the intent of</p> <p>12 that statement was senior level management at Hunt.</p> <p>13 Q. And who at Hunt Oil were the senior -- senior</p> <p>14 level management -- who comprised the senior level</p> <p>15 management you were referencing here at Hunt Oil in</p> <p>16 September 2010?</p> <p>17 A. I would -- I would assume that at that time the</p> <p>18 senior level management that I would have been referring</p> <p>19 to would have been Ernie Easley and -- and -- mainly</p> <p>20 Ernie Easley.</p> <p>21 Q. And fair to say Mr. Easley was concerned that</p> <p>22 these lease amendments were not getting attention from</p> <p>23 JP Morgan?</p> <p>24 MR. BEITER: Objection; form.</p> <p>25 A. I would say frustrated would probably be a better</p>	<p>1 participant in, those meetings were focused on</p> <p>2 operational issues in the Eagle Ford?</p> <p>3 A. Correct.</p> <p>4 Q. Now, in the next paragraph of your e-mail you</p> <p>5 write, "Consequently, the senior level management of</p> <p>6 Hunt Oil Company has instructed me that they are</p> <p>7 prepared, willing and anxious to make requests to their</p> <p>8 counterparts at JP Morgan with whom we do a great deal</p> <p>9 of business to request that our paperwork be expedited."</p> <p>10 My first question to you is: When you say the senior</p> <p>11 level management of Hunt Oil Company has instructed me,</p> <p>12 who instructed me -- who instructed you?</p> <p>13 A. At that time it would've been Ernie Easley</p> <p>14 suggested that should I not hear back from H.L.</p> <p>15 Tompkins, that he'd be prepared to talk to other members</p> <p>16 of Hunt Oil Company senior level management about the</p> <p>17 issue to see if they could contact, like I mentioned,</p> <p>18 their counterparts to -- to see if there was some way</p> <p>19 our paperwork in this case could be expedited. At least</p> <p>20 the -- JP Morgan's review and feedback could be</p> <p>21 expedited.</p> <p>22 Q. And is it after this September 7, 2010 e-mail was</p> <p>23 sent by you that you were -- you got information that</p> <p>24 there was what you called a -- a few minutes ago some</p> <p>25 point of contact between the senior level management of</p>

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<p>1 Hunt Oil Company and their counterparts at JP Morgan?</p> <p>2 A. I don't -- it's my recollection that there was</p> <p>3 some contact, but I don't recall when it was or who made</p> <p>4 the -- that contact or who their point of contact at JP</p> <p>5 Morgan was.</p> <p>6 Q. Did Mr. Easley share with you any kind of</p> <p>7 description of the great deal of business that Hunt Oil</p> <p>8 Company did with JP Morgan?</p> <p>9 A. No. I -- I -- I was not privy to any of those</p> <p>10 details. It was more of just a comment that I know, you</p> <p>11 know, basically it was a -- and I'm paraphrasing. Hunt</p> <p>12 does a lot of business with JP Morgan. I'm sure there</p> <p>13 are some people over there we could contact kind of</p> <p>14 statement.</p> <p>15 Q. Then you write after that sentence, I would</p> <p>16 appreciate a response from you so that I can relay to</p> <p>17 everyone here that we are in the process of resolving</p> <p>18 all of the issues that would prevent us from maximizing</p> <p>19 the development in production of the leases. After you</p> <p>20 got this e-mail, did you get a response from</p> <p>21 Mr. Tompkins?</p> <p>22 A. I'm sure -- yeah, I don't recall when, but I'm</p> <p>23 quite confident that he was responsive.</p> <p>24 Q. Did -- just so I'm -- I'm clear here. Did</p> <p>25 Mr. Easley tell you why he was willing to go to senior</p>	<p>1 Mr. Tompkins have a chance to talk?</p> <p>2 A. It would appear so.</p> <p>3 MR. FLEGLE: I got a further e-mail from you</p> <p>4 to Mr. Tompkins, and this is Exhibit 824.</p> <p>5 (Exhibit Number 824 marked.)</p> <p>6 Q. (BY MR. FLEGLE) This e-mail is dated October 25,</p> <p>7 2010. Can you identify this as an e-mail from you?</p> <p>8 A. Uh-huh.</p> <p>9 Q. She'll need -- she'll need the actual word; yes</p> <p>10 or no?</p> <p>11 A. Oh, I'm sorry. I was in the process of reading</p> <p>12 it.</p> <p>13 Q. All right.</p> <p>14 A. What was your question again?</p> <p>15 Q. Question is: Can you identify this as an e-mail</p> <p>16 from you?</p> <p>17 A. It appears so.</p> <p>18 Q. Now, this e-mail also has a CC to Mr. Larry</p> <p>19 Guzick. Do you remember why he was copied on this</p> <p>20 e-mail?</p> <p>21 A. Larry Guzick is a regional land manager for our</p> <p>22 business unit and as such he was included on the e-mail.</p> <p>23 Q. Was he involved in the amendment negotiations</p> <p>24 with JP Morgan?</p> <p>25 A. I'm sure he was involved in certain aspects. I</p>
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<p>1 level management at Hunt Oil to get them to contact</p> <p>2 their counterparts at JP Morgan?</p> <p>3 A. Why he was willing to do that?</p> <p>4 Q. Yeah.</p> <p>5 A. I don't recall specifically, but I think it's</p> <p>6 safe to assume that he was willing to do that in order</p> <p>7 to help make an effort to help expedite the -- the</p> <p>8 review and the negotiation process with JP Morgan.</p> <p>9 Q. Now, after this e-mail was sent to Mr. Tompkins,</p> <p>10 there were some exchanges of versions of the amendments;</p> <p>11 were there not?</p> <p>12 A. I believe so.</p> <p>13 (Exhibit Number 823 marked.)</p> <p>14 Q. (BY MR. FLEGLE) Let me just show you a couple</p> <p>15 and get them identified here. I've marked as</p> <p>16 Exhibit 823 an e-mail dated September 20, 2010. Can you</p> <p>17 identify that as an e-mail from you?</p> <p>18 A. Yes. I recall this e-mail.</p> <p>19 Q. And does this e-mail relate to the lease</p> <p>20 amendments that were the subject of your September 7,</p> <p>21 2010 e-mail to Mr. Tompkins?</p> <p>22 A. I can't say definitively, but I think that's a</p> <p>23 safe assumption.</p> <p>24 Q. And between the time of your September 7th e-mail</p> <p>25 and this September 20, 2010 e-mail, did you and</p>	<p>1 don't recall exactly what duties he performed or what</p> <p>2 actions he took regarding the amendments.</p> <p>3 Q. In this e-mail on October 25, 2010 you write,</p> <p>4 "H.L., I am hoping to hear from you in the near future</p> <p>5 as I am fielding questions from management once again</p> <p>6 about the progress of lease amendments regarding the</p> <p>7 lease provisions pertaining to field rules, due</p> <p>8 diligence and pooling." When you say you were fielding</p> <p>9 question from management once again, who in management</p> <p>10 were giving you the questions?</p> <p>11 A. At that time it would've been Ernie Easley and if</p> <p>12 there were others in management, I -- I don't</p> <p>13 specifically remember, but I'm -- I do remember Ernie</p> <p>14 Easley asking me those questions.</p> <p>15 Q. Did you get any response from Mr. Tompkins, do</p> <p>16 you recall?</p> <p>17 A. In response to this e-mail?</p> <p>18 Q. Yes, sir.</p> <p>19 A. I don't recall.</p> <p>20 (Exhibit Number 825 marked.)</p> <p>21 MR. FLEGLE: Let me show you an e-mail of</p> <p>22 the couple -- of the next day, October the 26th. I</p> <p>23 marked it as Exhibit 825.</p> <p>24 Q. (BY MR. FLEGLE) Can you identify the cover</p> <p>25 e-mail as an e-mail from you?</p>

16 (Pages 58 to 61)

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<p>1 A. Uh-huh.</p> <p>2 Q. Is that a yes?</p> <p>3 A. Yeah, I'm sorry. What was your question?</p> <p>4 Q. Is that an e-mail from you?</p> <p>5 A. It appears so.</p> <p>6 Q. Now, on or about -- well, not on or about. As a</p> <p>7 result of that e-mail, do you recall that there was in</p> <p>8 fact an amendment that was entered between JP Morgan and</p> <p>9 Hunt?</p> <p>10 A. Yes.</p> <p>11 (Exhibit Number 58E referenced.)</p> <p>12 Q. (BY MR. FLEGLE) And let me show you one of them.</p> <p>13 It's been previously marked as Exhibit 58E and it's got</p> <p>14 a cover letter of February the 9th, 2011, but it has</p> <p>15 attached to the cover letter an amendment to the oil and</p> <p>16 gas lease. Do you recall that this amendment was in</p> <p>17 fact entered on or about October 27, 2010?</p> <p>18 A. It appears so.</p> <p>19 Q. Now, there are -- there are -- there is this</p> <p>20 amendment and there's an amendment for the other three</p> <p>21 leases. Do you remember they were all at the same time?</p> <p>22 I know I'm going to have to get them out.</p> <p>23 A. This specific amendment on Exhibit A had all four</p> <p>24 leases listed.</p> <p>25 Q. Oh, it did. You're -- you're exactly right.</p>	<p>1 January 2011 to the leases. Do you recall the</p> <p>2 background of that amendment?</p> <p>3 A. I'm sure if I saw the amendment, I could. At the</p> <p>4 top of my head I'm not...</p> <p>5 MR. FLEGLE: I'll tell you what, let me show</p> <p>6 you what's previously been marked as Exhibit 60B.</p> <p>7 (Exhibit Number 60B referenced.)</p> <p>8 THE WITNESS: Okay.</p> <p>9 Q. (BY MR. FLEGLE) Which is a January 26, 2011</p> <p>10 letter from Leverne Hearn to JP Morgan Chase attaching a</p> <p>11 January 6, 2011 letter and Exhibit A. Does that help</p> <p>12 you remember that there was a lease amendment in</p> <p>13 January?</p> <p>14 A. Yeah.</p> <p>15 MR. BEITER: Objection; form.</p> <p>16 A. I do recall the amendment referenced in this</p> <p>17 letter.</p> <p>18 Q. (BY MR. FLEGLE) And what was the purpose of this</p> <p>19 amendment; do you recall?</p> <p>20 A. It was to revise the description to take portions</p> <p>21 of lands of one lease and include them in -- in</p> <p>22 alternate lease.</p> <p>23 Q. And the result of this change would be that the</p> <p>24 4,000-acre lease would now be 4,888 acres and the</p> <p>25 2200-acre lease approximately would now be 1700 acres?</p>
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<p>1 You're exactly right. I'm -- I'm -- I'm corrected. The</p> <p>2 amendment that's attached to Exhibit 58E applies to all</p> <p>3 four of the Hunt Oil leases involving the South Texas</p> <p>4 Syndicate mineral interest?</p> <p>5 A. That's correct.</p> <p>6 Q. Okay. Do you recall whether or not there was any</p> <p>7 compensation paid by Hunt Oil to JP Morgan as trustee of</p> <p>8 the South Texas Syndicate for these amendments?</p> <p>9 A. I don't recall that.</p> <p>10 Q. Do you remember any discussion with Mr. Tompkins</p> <p>11 during the course of the lease amendment process of</p> <p>12 Mr. Tompkins requesting compensation from Hunt Oil for</p> <p>13 these amendments?</p> <p>14 A. As a general rule, as I stated before, we've --</p> <p>15 we've always compensated JP Morgan for lease amendments.</p> <p>16 I -- as it pertains to this particular amendment, I</p> <p>17 don't recall what that compensation was or -- or if</p> <p>18 there was.</p> <p>19 Q. And if Hunt Oil believes that it had compensated</p> <p>20 JP Morgan as trustee for these lease amendments where</p> <p>21 would the records at Hunt Oil be for showing the</p> <p>22 compensation; would they be in the lease files?</p> <p>23 A. I would assume so.</p> <p>24 Q. Now, after the October lease amendments there</p> <p>25 were -- there was an additional amendment in</p>	<p>1 A. That's correct.</p> <p>2 Q. And the result of changing those leases would</p> <p>3 have the same effect as if pooling had been allowed for</p> <p>4 those two leases?</p> <p>5 MR. BEITER: Objection; form.</p> <p>6 Q. (BY MR. FLEGLE) Right?</p> <p>7 A. I don't know that it would have all the same</p> <p>8 effects. It allowed us to drill a well that we had</p> <p>9 proposed.</p> <p>10 Q. That could not have been drilled on the leases as</p> <p>11 configured before this amendment?</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 A. It couldn't have been drilled in the same manner.</p> <p>14 Q. (BY MR. FLEGLE) All right. In this letter</p> <p>15 agreement which is dated January 6th, 2011 has as item</p> <p>16 number two compensation, and it says that there's going</p> <p>17 to be \$100 per net mineral acre compensation for this</p> <p>18 amendment; is that right?</p> <p>19 A. Yes.</p> <p>20 Q. And the \$100 per acre is calculated based on the</p> <p>21 number of acres that are moved from one lease to the</p> <p>22 other?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. Was it the usual course of business when</p> <p>25 Hunt made compensation to JP Morgan as trustee for the</p>

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<p>1 South Texas Syndicate to have a compensation and a 2 written document between Hunt Oil and JP Morgan? 3 MR. BEITER: Objection; form. 4 A. That's not always the case. 5 Q. (BY MR. FLEGLE) What -- do you know whether or 6 not -- do you recall times when Hunt Oil gave 7 compensation to JP Morgan Chase as trustee for the South 8 Texas Syndicate for lease amendments where that 9 compensation was not reduced to a written agreement? 10 MR. BEITER: Objection; form. 11 A. I'm sorry. I've lost my train of thought. Would 12 you mind repeating that question, please? 13 Q. (BY MR. FLEGLE) Yeah. Do you remember any time 14 in particular as you're sitting here today in which Hunt 15 Oil compensated JP Morgan as trustee for the South Texas 16 Syndicate for a lease amendment and that compensation 17 was not described in a written agreement? 18 A. I don't remember a specific time. I -- just -- 19 not my recollection that every time we compensated JP 20 Morgan was in a written document. The terms of that 21 compensation. 22 Q. Now, at some point in time in the first part -- 23 first quarter of 2011 there was a meeting that involved 24 Ryder Scott -- Ryder Scott. Do you remember attending 25 the meeting?</p>	<p>1 as a formality, I was hoping you could respond to this 2 e-mail as a confirmation that the maps, data and 3 information regarding Hunt Oil Company's operations in 4 LaSalle & McMullen Counties, Texas that was shared with 5 yourself, Michael Stell and Bertram Hayes-Davis on 6 3/11/11 will remain confidential as to third parties." 7 Does that help you remember a meeting with a person 8 named Michael Stell? 9 A. Yeah. No, I -- I don't recall who Michael Stell 10 or who Betram Hayes-Davis is and I don't recall 11 attending a meeting with either of those two. 12 Q. Does it jog your memory if I tell you that 13 Michael Stell was with Ryder Scott? 14 A. No. I -- I honest -- I don't recall attending a 15 meeting with either of these two individuals or Ryder 16 Scott. That -- that just -- it doesn't -- it's not -- I 17 don't -- I don't remember that at all. 18 Q. Do you have any recollection of anybody telling 19 you what maps, data and information, if any, Hunt Oil 20 shared at this meeting that involved Michael Stell or 21 Ryder Scott, petroleum engineer? 22 A. I don't remember exactly what data was shared. 23 It's maps, I'm assuming, was, you know, just our lease 24 maps, but as far as the data and other information, I 25 don't recall what that would have entailed.</p>
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<p>1 A. No. I don't recall ever attending a meeting 2 involving Ryder Scott. 3 MR. FLEGLE: Let me show you an e-mail 4 string in March 2011. I've marked the page as 5 Exhibit 826. 6 (Exhibit Number 826 marked.) 7 Q. (BY MR. FLEGLE) My first question to you is a 8 -- is -- is the bottom e-mail which is the first e-mail 9 on the string as these things go. Is that an e-mail 10 from you to Mr. Tompkins? 11 A. It appears it is. 12 Q. And the subject was meeting, right? 13 A. It appears so. 14 Q. And in the body of your e-mail and in the -- in 15 the -- well, the e-mail starts, "H.L., we appreciate you 16 all taking the time to visit this morning and I hope you 17 were able to gather the information that you needed." 18 When you say "we appreciate," was that including you as 19 part of the meeting or were you just using the 20 colloquial that you were writing this for somebody 21 else's purpose? 22 A. I think we was just probably a general term 23 meaning -- and I was speaking for myself and others at 24 Hunt. 25 Q. And then in the second paragraph you wrote, "Just</p>	<p>1 Q. Do you remember anybody prior to this meeting 2 asking you to collect either -- either maps, data or 3 information for purposes of the meeting? 4 A. I don't recall that, no. 5 Q. At any point in time after March 11, 2011, did 6 anybody internally at Hunt Oil come to you with some 7 reserve information or information on drilling schedules 8 for the four leases that Hunt Oil held at the -- in the 9 South Texas Syndicate mineral interest for purposes of 10 your looking at them and making comments? 11 A. Our development plan and reserve for information 12 is discussed internally in several different -- in our 13 office meetings, so I was privy to that information. 14 Q. And when -- when you say you were privy to it, is 15 that you just happened to be in the meeting when the 16 information was discussed? 17 A. Correct. 18 Q. And it would not be internal discussions in which 19 you were collecting information and presenting or 20 commenting on or would it be? 21 A. As it pertained to the land-related issues, I 22 would make comments. 23 Q. And -- and what are land-related issues? 24 A. Well, anything related to our drilling schedule 25 as it pertains to land issues such as, perhaps, a</p>

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<p>1 surface owner issue, for example or a lease provision</p> <p>2 issue or a lease term issue, something related to that</p> <p>3 arena.</p> <p>4 Q. Things like easements?</p> <p>5 A. In easement it would be considered a land-related</p> <p>6 issue, yeah.</p> <p>7 Q. Do you remember having some conversations with</p> <p>8 Mr. Tompkins about granting -- about JP Morgan as</p> <p>9 trustee granting easements to Hunt Oil for purposes of a</p> <p>10 South Texas Syndicate mineral interest?</p> <p>11 A. Vaguely.</p> <p>12 (Exhibit Number 827 marked.)</p> <p>13 Q. (BY MR. FLEGLE) Let me show you what's been</p> <p>14 marked as Exhibit 827 which is an e-mail from you the</p> <p>15 next month. This is in July 2011, July 15. My first</p> <p>16 question is: Do you remember this issue and discussing</p> <p>17 it with Mr. Tompkins?</p> <p>18 A. Okay. This does -- yeah, I do recall this was an</p> <p>19 e-mail from me, yes.</p> <p>20 Q. And in the second paragraph you say, "On another</p> <p>21 note, we briefly spoke a few weeks ago regarding a</p> <p>22 pipeline/flowline easement across lease lines in</p> <p>23 McMullen County. Our legal department has told me that</p> <p>24 you indeed have the right to grant such an easement."</p> <p>25 And the "you indeed" there is JP Morgan as trustee?</p>	<p>1 easement if -- if -- well, do you know whether or not if</p> <p>2 an easement was obtained from the land -- the surface</p> <p>3 owners --</p> <p>4 MR. BEITER: Objection; form.</p> <p>5 Q. (BY MR. FLEGLE) -- as -- as identified here in</p> <p>6 this July 15 e-mail?</p> <p>7 A. I believe we do have easements from the surface</p> <p>8 owners, yes.</p> <p>9 Q. And were the surface owners compensated for those</p> <p>10 easements?</p> <p>11 A. Generally.</p> <p>12 Q. But you don't recall whether or not there was any</p> <p>13 conversation from Mr. Tompkins back to you on whether or</p> <p>14 not JP Morgan had looked to see if it as trustee could</p> <p>15 grant such an easement?</p> <p>16 A. I don't recall if he did or didn't.</p> <p>17 Q. There was a late rental check that was paid in</p> <p>18 August 2011 by Hunt Oil to the South Texas Syndicate</p> <p>19 Trust. Did you have any role in determining when the</p> <p>20 rental check was paid and when it was due?</p> <p>21 A. I believe there's -- there's always communication</p> <p>22 between myself and our lease records department and</p> <p>23 generally speaking when rental payments are made. I</p> <p>24 wouldn't say -- let me rephrase always. I would say</p> <p>25 frequently.</p>
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<p>1 A. Yes.</p> <p>2 Q. Do you know whether such easement was granted?</p> <p>3 A. I don't believe so. Not from JP Morgan.</p> <p>4 Q. Was there an easement that was ultimately</p> <p>5 obtained?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. We've gotten easements from the surface owner in</p> <p>8 McMullen County across our lease position and also</p> <p>9 what's described in this e-mail as the donut hole which</p> <p>10 contains the Petrohawk now BHP leases.</p> <p>11 Q. (BY MR. FLEGLE) Did -- do you remember any</p> <p>12 reaction from Mr. Tompkins about whether or not JP</p> <p>13 Morgan as trustee had concluded whether or not it had a</p> <p>14 right to grant an easement to Hunt Oil?</p> <p>15 A. I don't recall. No, I don't recall him having a</p> <p>16 reaction to that.</p> <p>17 Q. Now, obtaining an easement for the purposes you</p> <p>18 describe in your July 20 -- 15, 2011 e-mail is something</p> <p>19 that would be beneficial to the operator; would it not?</p> <p>20 MR. BEITER: Objection; form.</p> <p>21 Q. (BY MR. FLEGLE) I mean it has a value.</p> <p>22 A. An easement has a value --</p> <p>23 Q. Yeah.</p> <p>24 A. -- I would agree with that.</p> <p>25 Q. Okay. And do you know whether or not when the</p>	<p>1 (Exhibit Number 828 marked.)</p> <p>2 Q. (BY MR. FLEGLE) Let me show you a check and some</p> <p>3 attachments from JP Morgan. I just asked you a question</p> <p>4 about the cover page which is the check dated August 1,</p> <p>5 2011 and it's marked as Exhibit 828.</p> <p>6 A. Uh-huh.</p> <p>7 Q. Is this check in the amount of \$309,407.70</p> <p>8 refresh your recollection of whether or not there was an</p> <p>9 issue that this check -- delayed rental check was</p> <p>10 late --</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 Q. (BY MR. FLEGLE) -- pursuant to the terms of the</p> <p>13 leases involved?</p> <p>14 A. I don't recall. I -- I don't recall there being</p> <p>15 discussions as to whether or not this check was, as you</p> <p>16 say, late.</p> <p>17 Q. You -- you don't have any recollection of an</p> <p>18 issue of the timing on -- on this --</p> <p>19 A. I don't recall that, no.</p> <p>20 Q. Did -- did you have anyone in -- inform you about</p> <p>21 the transaction between Hunt Oil and Marubeni that was</p> <p>22 publically disclosed in January 2012?</p> <p>23 A. Could you repeat that question? I'm not -- or --</p> <p>24 Q. Sure.</p> <p>25 A. -- clarify your question?</p>

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<p>1 Q. Sure. Let me back up. We kind of briefly</p> <p>2 discussed a transaction between Hunt Oil and Marubeni</p> <p>3 that closed in December 2011 and was reported to the</p> <p>4 public in January of 2012.</p> <p>5 A. Uh-huh.</p> <p>6 Q. How did you find out about the transaction?</p> <p>7 A. I was involved -- I was not involved in the</p> <p>8 negotiations of the -- of the transaction, per se, but I</p> <p>9 was involved in the logistics of supplying Marubeni with</p> <p>10 the information that facilitated and -- and that they</p> <p>11 requested in order to close that transaction.</p> <p>12 Q. Did you participate in providing Marubeni</p> <p>13 information about the reserves and/or values as they</p> <p>14 related to the various leases that were a part?</p> <p>15 A. No, that wouldn't have been in my area of</p> <p>16 expertise.</p> <p>17 Q. Did -- but you did know sometime before the</p> <p>18 transaction that the Marubeni transaction included</p> <p>19 interests in the Hunt leases on the South Texas</p> <p>20 Syndicate mineral interest?</p> <p>21 A. I was aware that, yes, the Marubeni did include</p> <p>22 these leases.</p> <p>23 Q. And the public disclosure on the transaction said</p> <p>24 Marubeni obtained a 35 percent interest in certain</p> <p>25 acreage. Did you have an understanding of how that 35</p>	<p>1 (Exhibit Number 829 marked.)</p> <p>2 Q. (BY MR. FLEGLE) Okay. I think we're on the same</p> <p>3 page. There is a Schedule 3.6 to -- the deal documents</p> <p>4 that had been produced by Hunt as Hunt 34. I've marked</p> <p>5 it as Exhibit 829. 829 has a caption Allocated Values.</p> <p>6 Prior to me showing you that Schedule 3.6 today had you</p> <p>7 seen it before?</p> <p>8 A. I believe so.</p> <p>9 Q. The -- can you tell me your understanding of what</p> <p>10 this schedule represents?</p> <p>11 A. Uh-huh.</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 A. To my understanding of the Marubeni deal there</p> <p>14 was allocated values to different pieces of acreage at</p> <p>15 the time Hunt obtained within the Eagle Ford and then</p> <p>16 there was an allocated value to our LaSalle McMullen</p> <p>17 lease position.</p> <p>18 Q. (BY MR. FLEGLE) And was the Hunt Oil LaSalle</p> <p>19 McMullen lease position at the time of the Marubeni</p> <p>20 transaction all on South Texas Syndicate mineral</p> <p>21 interest?</p> <p>22 A. Yes.</p> <p>23 Q. So if I'm -- I'm looking at this chart --</p> <p>24 schedule. Am I correct that the allocation to the South</p> <p>25 Texas Syndicate mineral interest owned by Hunt Oil was</p>
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<p>1 percent applied to Hunt's 50 percent interest in the</p> <p>2 South Texas Syndicate mineral leases?</p> <p>3 A. Yes. They received 35 percent of our 50 percent</p> <p>4 interest.</p> <p>5 Q. So --</p> <p>6 A. So at that point they had 32 and a half percent</p> <p>7 interest and Marubeni had a 17 and a half percent</p> <p>8 interest.</p> <p>9 Q. Okay.</p> <p>10 A. And at that time I can't remember if -- if our</p> <p>11 current partner at that time was still Bass or if they</p> <p>12 had assigned their interest to Murphy. So it was either</p> <p>13 Bass or Murphy was -- still obtained their 50 percent</p> <p>14 interest and the remaining 50 percent was divided 32 and</p> <p>15 a half percent Hunt and 17 and a half percent Marubeni.</p> <p>16 Q. Okay. So if I were doing the calculations, then,</p> <p>17 the Marubeni's -- the Marubeni interest was not a net</p> <p>18 35 percent interest, it was 35 percent of Hunt's 50</p> <p>19 percent interest?</p> <p>20 A. That's correct.</p> <p>21 Q. Okay. And then as a result what Marubeni paid</p> <p>22 for and got was a 17 and a half percent interest?</p> <p>23 A. Of the 100 percent.</p> <p>24 Q. Of the 100 percent.</p> <p>25 A. Uh-huh.</p>	<p>1 \$26.5 million?</p> <p>2 A. It appears so, but I -- I can't -- it's been a</p> <p>3 long time since I've reviewed these documents, but it</p> <p>4 appears that that's accurate.</p> <p>5 Q. And then the fourth line down says, Lease</p> <p>6 Allocation Value dollars per acre \$14,598. What -- what</p> <p>7 does lease allocation value reference; do you know?</p> <p>8 MR. BEITER: Objection; form.</p> <p>9 MR. DAVIDSON: Same objection.</p> <p>10 A. Yeah, I'm not -- that's probably a question</p> <p>11 better asked to somebody who wrote that schedule.</p> <p>12 Q. (BY MR. FLEGLE) Were you advised about what</p> <p>13 information Hunt Oil shared with Marubeni about the</p> <p>14 prospects that Hunt Oil anticipated on the South Texas</p> <p>15 Syndicate mineral interest lease -- leases prior to this</p> <p>16 transaction closing?</p> <p>17 A. Was I advised to?</p> <p>18 Q. Well, Hunt Oil had told Marubeni about --</p> <p>19 A. Our reserves and --</p> <p>20 Q. Yes.</p> <p>21 A. No. I was not advised on that.</p> <p>22 Q. Do you know whether or not if Hunt Oil gave such</p> <p>23 information to Marubeni?</p> <p>24 A. I think -- I'm sure that Marubeni did their due</p> <p>25 diligence and reviewed reserves, well performance and</p>

20 (Pages 74 to 77)

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<p>1 things like that.</p> <p>2 Q. At the time of this transaction with Marubeni,</p> <p>3 did Hunt Oil have the expectation that wells drilled on</p> <p>4 the South Texas Syndicate mineral interest leases would</p> <p>5 be economic?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. Again, that's a question probably better answered</p> <p>8 by someone on our technical staff as to the economics of</p> <p>9 the well.</p> <p>10 Q. (BY MR. FLEGLE) Well, as -- as of the time that</p> <p>11 the Hunt/Marubeni deal was closed, Hunt Oil was</p> <p>12 anticipating proceeding with a drilling -- drill program</p> <p>13 or drill plan, wasn't it?</p> <p>14 A. That's -- yes. Our plan at that point was to</p> <p>15 proceed with attempting to develop these leases.</p> <p>16 Q. And was that plan to proceed to attempt to</p> <p>17 develop the leases in any way changed in 2012?</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 Q. (BY MR. FLEGLE) Let me -- let me start all over</p> <p>20 again because that -- that's got too many facets in it.</p> <p>21 Did Hunt Oil continue to expect to develop the South</p> <p>22 Texas Syndicate mineral interest leases in 2012?</p> <p>23 A. Yes.</p> <p>24 Q. And in 2013?</p> <p>25 A. Yes.</p>	<p>1 purchase and sale agreement other than the one that we</p> <p>2 just discussed?</p> <p>3 MR. BEITER: Objection; form.</p> <p>4 A. I've -- I have reviewed certain portions of the</p> <p>5 purchase and sale agreement.</p> <p>6 (Exhibit Number 830 marked.)</p> <p>7 Q. (BY MR. FLEGLE) Let me show you Exhibit 830.</p> <p>8 And this is Defendant's 131009 through 131026. I'll</p> <p>9 represent to you that's a document series of numbers put</p> <p>10 on these documents by JP Morgan.</p> <p>11 A. I'm sorry, was there a question?</p> <p>12 Q. Yeah. Have you seen these schedules before?</p> <p>13 A. Let's see here. I'm familiar -- I'm more</p> <p>14 familiar with some of these than others.</p> <p>15 Q. Do you have any recollection of anybody at JP</p> <p>16 Morgan requesting that you give them these schedules on</p> <p>17 Exhibit 830?</p> <p>18 A. No. I don't recall JP Morgan ever requesting</p> <p>19 these schedules.</p> <p>20 Q. There's a list of persons, it looks like, from</p> <p>21 Hunt Oil that are listed on schedule one which has</p> <p>22 knowledge and it's the second page into the exhibit.</p> <p>23 There's seven persons that are listed. Are those all</p> <p>24 persons that are employees of Hunt Oil at the time?</p> <p>25 A. Yes.</p>
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<p>1 Q. Now, a few minutes ago you mentioned to me that</p> <p>2 the Bass companies had assigned their interests to</p> <p>3 Murphy?</p> <p>4 A. That's correct.</p> <p>5 Q. When did that happen? I tell you what -- before</p> <p>6 the one when that happened -- were the assignments by</p> <p>7 the Bass companies to Murphy an assignment of the Bass</p> <p>8 Company's interest in the South Texas Syndicate mineral</p> <p>9 interest?</p> <p>10 A. Yes.</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 Q. (BY MR. FLEGLE) Okay. When did that</p> <p>13 transaction -- that assignment occur generally speaking?</p> <p>14 A. I don't recall if that was 2011 or 2012.</p> <p>15 Q. Were you told by anyone what the consideration</p> <p>16 was that Murphy paid the Bass companies --</p> <p>17 A. No.</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 A. I don't know that answer.</p> <p>20 Q. (BY MR. FLEGLE) Do you know if any consideration</p> <p>21 was paid by Murphy to the Bass Company?</p> <p>22 A. I don't know that.</p> <p>23 Q. There are certain schedules to the Marubeni</p> <p>24 purchase and sale agreement that have been produced</p> <p>25 around by JP Morgan. Have you seen any schedules to the</p>	<p>1 Q. What was Dennis Grindinger's title in 2000 --</p> <p>2 January 2012?</p> <p>3 A. I don't recall exactly. I -- he was a senior</p> <p>4 management at Hunt. I believe he -- his role was super</p> <p>5 -- he was a manager of our corporate development</p> <p>6 department and various other -- I believe his title</p> <p>7 might have been chief financial officer or chief</p> <p>8 executive officer, something to that effect.</p> <p>9 Q. Do you know whether Mr. Grindinger made any</p> <p>10 contacts to JP Morgan back in --</p> <p>11 A. I would have no knowledge as to anything that --</p> <p>12 or anyone that Dennis Grindinger would've contacted</p> <p>13 pretty much on any level.</p> <p>14 Q. What was Paul Habenicht's title?</p> <p>15 A. He was senior vice president of U.S. onshore</p> <p>16 development, I believe.</p> <p>17 Q. Do you know whether Mr. Habenicht had any</p> <p>18 contacts with JP Morgan regarding the South Texas</p> <p>19 Syndicate leases?</p> <p>20 A. I do not know that.</p> <p>21 Q. The next person is Travis Armayor. What was his</p> <p>22 title?</p> <p>23 A. He was a vice president of corporate development.</p> <p>24 Q. In Hunt Oil?</p> <p>25 A. Yes.</p>

21 (Pages 78 to 81)

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<p>1 Q. Do you know whether Mr. Armayor had any contacts</p> <p>2 with JP Morgan concerning the South Texas Syndicate</p> <p>3 leases?</p> <p>4 A. I do not know that.</p> <p>5 Q. The next person is Bill Rex.</p> <p>6 A. He's vice president of land.</p> <p>7 Q. Okay. And he's somebody that you report to at</p> <p>8 least indirectly?</p> <p>9 A. Correct.</p> <p>10 Q. Do you know if Mr. Rex had any contacts with JP</p> <p>11 Morgan as it relates to the South Texas Syndicate</p> <p>12 leases?</p> <p>13 A. I don't -- I don't know that.</p> <p>14 Q. Ernie Easley, what was his title?</p> <p>15 A. He was a senior vice president of South Texas,</p> <p>16 Gulf of Mexico business. Vice president of exploration</p> <p>17 for South Texas Gulf Coast.</p> <p>18 Q. Did that -- did that area include the Eagle Ford?</p> <p>19 A. Yes.</p> <p>20 Q. Do you know whether Mr. Easley had any</p> <p>21 communications with JP Morgan regarding the South Texas</p> <p>22 Syndicate leases?</p> <p>23 A. I don't -- I don't know that.</p> <p>24 Q. The next person is Russ Darr, D-A-R-R. What was</p> <p>25 Russ Darr's title?</p>	<p>1 Q. (BY MR. FLEGLE) Did -- did you have any</p> <p>2 information given to you either before or after the</p> <p>3 Marubeni transaction in December 2011 that JP Morgan had</p> <p>4 talked with Marubeni about the transaction with Hunt</p> <p>5 Oil?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. Can you repeat that? The -- the transaction was</p> <p>8 in December of 2012.</p> <p>9 Q. (BY MR. FLEGLE) I -- let's see -- I think...</p> <p>10 A. I'm sorry, you're right. It was in '11 -- or was</p> <p>11 it '11? I'm sorry.</p> <p>12 Q. Yeah, the front -- the front page of Exhibit 830</p> <p>13 will give you a -- a date, an agreement like the third</p> <p>14 line there.</p> <p>15 A. Okay. Yeah, 2011.</p> <p>16 Q. It's a little confusing because the transaction</p> <p>17 closed in December of 2011 and it was publically</p> <p>18 announced in January 2012.</p> <p>19 A. Okay. Yeah, so I apologize.</p> <p>20 Q. That's okay.</p> <p>21 A. What was -- what was your question again?</p> <p>22 Q. Sure. Either before or after this transaction,</p> <p>23 did you get information from any source that JP Morgan</p> <p>24 had communicated with Marubeni about this transaction</p> <p>25 with Hunt Oil prior to the time it was closed?</p>
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<p>1 A. He was vice president of corporate reservoir</p> <p>2 engineering.</p> <p>3 Q. And do you know if Mr. Darr had any</p> <p>4 communications with JP Morgan relating to the South</p> <p>5 Texas Syndicate leases?</p> <p>6 A. No, sir.</p> <p>7 Q. Last person was Dan Ray. What was Dan Ray's</p> <p>8 title?</p> <p>9 A. He's a vice president of oil and gas marketing.</p> <p>10 Q. And do you know if Mr. Ray had any contacts with</p> <p>11 JP Morgan concerning the South Texas Syndicate leases?</p> <p>12 A. No, sir.</p> <p>13 Q. Now having looked at these schedules and</p> <p>14 discussed the Marubeni deal in a little more detail, do</p> <p>15 you now remember whether or not you knew that JP Morgan</p> <p>16 owned stock in Marubeni at the time of this transaction</p> <p>17 with Hunt Oil in December of 2011?</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 A. I'm unaware of JP Morgan's relationship, if any,</p> <p>20 with Marubeni.</p> <p>21 Q. (BY MR. FLEGLE) And nobody at JP Morgan told you</p> <p>22 during -- during or after this transaction that JP</p> <p>23 Morgan, in fact, had stock in Marubeni?</p> <p>24 MR. BEITER: Objection; form.</p> <p>25 A. No one told me that.</p>	<p>1 MR. BEITER: Objection; form.</p> <p>2 A. I have no knowledge of that.</p> <p>3 MR. FLEGLE: Let me give you a series of</p> <p>4 letters here that we're going to identify here. They</p> <p>5 start with Exhibit 831 which is the January 5 letter for</p> <p>6 the 3,000-acre lease.</p> <p>7 (Exhibit Number 831 marked.)</p> <p>8 MR. FLEGLE: Exhibit 832 is a January 5</p> <p>9 letter for the 4800-acre lease.</p> <p>10 (Exhibit Number 832 marked.)</p> <p>11 MR. FLEGLE: Exhibit 833 is a January 5</p> <p>12 letter -- I gave you both. There's another copy in</p> <p>13 there. There you go.</p> <p>14 THE WITNESS: You want that one?</p> <p>15 MR. FLEGLE: There you go. It's a January 5</p> <p>16 letter for the 683-acre lease.</p> <p>17 (Exhibit Number 833 marked.)</p> <p>18 MR. FLEGLE: And Exhibit 834 is a January 5</p> <p>19 letter for the 1700-acre lease.</p> <p>20 (Exhibit number 834 marked.)</p> <p>21 Q. (BY MR. FLEGLE) And having Exhibits 831 through</p> <p>22 834 there in front of you, do they help you remember</p> <p>23 what you were asked to do as a result of the Marubeni</p> <p>24 transaction with Hunt Oil as it related to the South</p> <p>25 Texas Syndicate lease -- leases?</p>

22 (Pages 82 to 85)

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<p>1 MR. BEITER: Objection; form.</p> <p>2 A. Well, these letters are -- we were obligated to</p> <p>3 obtain a consent of assignment from JP Morgan because we</p> <p>4 made a partial assignment per that transaction to</p> <p>5 Marubeni.</p> <p>6 Q. (BY MR. FLEGLE) The -- I just -- do you remember</p> <p>7 any questions by JP Morgan as trustee about who Marubeni</p> <p>8 was and what the structure of Marubeni Eagle Ford, LP,</p> <p>9 was?</p> <p>10 A. No.</p> <p>11 Q. Anything like that?</p> <p>12 A. Huh-uh.</p> <p>13 Q. In the second paragraph of these letters I just</p> <p>14 want to make sure that I understand what -- what is</p> <p>15 meant by what you were writing. It says, upon the</p> <p>16 partial assignment of your lease by Hunt to Marubeni,</p> <p>17 Marubeni will own a 35 percent interest in Hunt's right</p> <p>18 title and interest in the lease. So that's -- that's</p> <p>19 referencing 35 percent of 50 percent, right?</p> <p>20 A. That's correct.</p> <p>21 Q. And then it says, and Hunt will continue to own</p> <p>22 its remaining 65 percent interest in your lease and the</p> <p>23 -- its remaining 65 percent interest referencing 65</p> <p>24 percent of 50 percent, right?</p> <p>25 A. Right.</p>	<p>1 wanted the extension was to analyze -- our technical</p> <p>2 staff wanted to analyze microseismic data that we had</p> <p>3 recently gathered in an effort to improve well</p> <p>4 performance. And at that point we were coming up on the</p> <p>5 expiration of the primary term and we wanted extra time</p> <p>6 to analyze the microseismic data in an effort to improve</p> <p>7 well performance and H.L. Tompkins notified me that</p> <p>8 prior to making a decision on our proposed amendment,</p> <p>9 they wanted an independent third party. I believe is</p> <p>10 what he called it, to -- to come review our data and our</p> <p>11 -- and to analyze was it prudent for us to take the</p> <p>12 extra time to analyze that data and was that something</p> <p>13 that was -- that would be beneficial to JP Morgan.</p> <p>14 Q. And -- well, let me start again. Did you attend</p> <p>15 one or more meetings involve -- for that issue?</p> <p>16 A. Yes.</p> <p>17 Q. Do you remember a person there named Keith</p> <p>18 Masters?</p> <p>19 A. I do.</p> <p>20 Q. Did you have a discuss -- did you have a dialogue</p> <p>21 with him?</p> <p>22 A. A brief dialogue. He was more interested in the</p> <p>23 technical aspects of the project, geologic aspects of</p> <p>24 the project which he was there for a presentation given</p> <p>25 by our geologic and technical team which I attended the</p>
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<p>1 Q. Okay. And then you state the operator of your</p> <p>2 lease will not change as a result of the transaction.</p> <p>3 So Hunt Oil remained as the operator?</p> <p>4 A. That's correct.</p> <p>5 Q. And it still is the operator today?</p> <p>6 A. That's correct.</p> <p>7 MR. FLEGLE: Okay. Why don't we go off the</p> <p>8 record for just a second?</p> <p>9 THE VIDEOGRAPHER: Off the record at</p> <p>10 12:22 p.m.</p> <p>11 (Break taken from 12:22 p.m. to 1:27 p.m.)</p> <p>12 THE VIDEOGRAPHER: Back on the record at</p> <p>13 1:27 p.m.</p> <p>14 THE WITNESS: Okay.</p> <p>15 Q. (BY MR. FLEGLE) We were talking about the 2012</p> <p>16 year and some of events that were in it. Do you</p> <p>17 remember some discussions between Hunt Oil and JP Morgan</p> <p>18 involving geological issues and discussions with the JP</p> <p>19 Morgan expert -- outside expert?</p> <p>20 A. I do.</p> <p>21 Q. What do you recall about those discussions?</p> <p>22 A. Those discussions -- at that point in time we had</p> <p>23 proposed yet another lease amendment to JP Morgan, and</p> <p>24 one of the proposed amendments was an extension of the</p> <p>25 primary term and that proposal included -- the reason we</p>	<p>1 meeting, but it was more of a technical discussion than</p> <p>2 a land discussion.</p> <p>3 Q. Did you get the impression -- well -- well, from</p> <p>4 your impression of what Mr. Masters said in the meeting,</p> <p>5 did you have an impression of whether or not Mr. Masters</p> <p>6 had had previous experience in Eagle Ford?</p> <p>7 MR. BEITER: Objection; form.</p> <p>8 A. I don't really recall having too much of a</p> <p>9 conversation with Mr. Masters or having an opinion one</p> <p>10 way or the other as to his expertise in the Eagle Ford.</p> <p>11 Q. (BY MR. FLEGLE) There's a letter report that</p> <p>12 Mr. Masters sent to Mr. Tompkins at JP Morgan on --</p> <p>13 dated May 8, 2012. It's been marked as Exhibit 401.</p> <p>14 Let me show you a copy of it. Have you seen that</p> <p>15 May 8th, 2012 letter before?</p> <p>16 (Exhibit Number 401 referenced.)</p> <p>17 A. I don't recall seeing this letter, no.</p> <p>18 Q. (BY MR. FLEGLE) Do you recall discussing</p> <p>19 Mr. Masters' view of the data that he was shown by Hunt</p> <p>20 Oil either during the meeting or after the meeting?</p> <p>21 A. Did I have a discussion with Mr. Masters</p> <p>22 regarding his thoughts on the data he sought?</p> <p>23 Q. Correct.</p> <p>24 A. No.</p> <p>25 Q. Who else other than you was at -- do you remember</p>

23 (Pages 86 to 89)

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<p>1 being in the meeting involving Mr. Masters?</p> <p>2 A. Among others myself, Larry Guzik, John Burkhart</p> <p>3 Allen Zimmerman. I'm sure -- I -- I remember for</p> <p>4 certain that those people were there and there were</p> <p>5 others, but I can't really say for certain what others</p> <p>6 were there, but other members of the Hunt Oil Company</p> <p>7 technical staff.</p> <p>8 Q. Do you remember either Mr. Tompkins or</p> <p>9 Mr. Masters asking the Hunt Oil group if the information</p> <p>10 that Hunt Oil was giving to JP Morgan in this meeting</p> <p>11 was the same information that Hunt Oil gave to the</p> <p>12 Marubeni group before their deal?</p> <p>13 A. No.</p> <p>14 Q. Or do you remember any -- any questions by</p> <p>15 Mr. Tompkins or Mr. Masters asking if there was any</p> <p>16 information that was shown to Marubeni before the</p> <p>17 transaction between Hunt and Marubeni relating to the</p> <p>18 South Texas Syndicate leases that was not being shown in</p> <p>19 this meeting?</p> <p>20 A. No. I don't recall if -- I don't recall if the</p> <p>21 subject of Marubeni ever came up.</p> <p>22 Q. Now, there was a request a month later in June of</p> <p>23 2012 for a brief 60-day extension of the leases. Let me</p> <p>24 show you what's previously been marked as Exhibit 67</p> <p>25 which is a letter dated June 21, 2012. Is this a letter</p>	<p>1 about the value of the reserves in the various leases on</p> <p>2 the South Texas Syndicate?</p> <p>3 A. No, sir.</p> <p>4 Q. In Exhibit 4 -- is it 401 -- no, 60 -- 67. On</p> <p>5 Exhibit 67 that I've just shown you when I first read</p> <p>6 it, it looked to me like it only covered one lease which</p> <p>7 is the 3,094-acre lease, but in reality it also covers</p> <p>8 the 4,888-acre lease too, doesn't it?</p> <p>9 A. If you'll bear with me, I need to take a second</p> <p>10 to read -- remind myself.</p> <p>11 Q. Sure.</p> <p>12 A. Yeah.</p> <p>13 Q. Yeah, please do.</p> <p>14 MR. FLEGLE: I need to get something.</p> <p>15 Excuse me.</p> <p>16 A. Right. Okay. So yeah, we were -- we were in the</p> <p>17 process of negotiating and trying to formalize proposed</p> <p>18 amendments, and as I mentioned we were coming up on the</p> <p>19 expiration of the primary term and the goal was to get a</p> <p>20 60-day extension on the 3,094-acre lease to give us</p> <p>21 additional time to try to formalize and finalize those</p> <p>22 proposed amendments. Within that time, I believe, we</p> <p>23 were in the process of -- or we had just finished</p> <p>24 drilling a well on the 4800-acre lease, but we wanted to</p> <p>25 not drill an additional well on that lease for an</p>
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<p>1 that you sent?</p> <p>2 (Exhibit Number 67 referenced.)</p> <p>3 A. Yes.</p> <p>4 Q. (BY MR. FLEGLE) The -- the letter has attached</p> <p>5 to it a -- an e-mail string -- let's see, this is just</p> <p>6 the next production page in the production from JP</p> <p>7 Morgan and it's got a couple of names on it: Jeff --</p> <p>8 Jeffrey Sone and Peter Hosey. Do you recall either of</p> <p>9 those people?</p> <p>10 A. Yes. I've attended a meeting. Mr. Tompkins and</p> <p>11 Mr. Hosey came to the Hunt offices to discuss our</p> <p>12 proposed lease amendments.</p> <p>13 Q. And what was Mr. Hosey's role, if you know?</p> <p>14 A. He was a -- he's an attorney with Jackson Walker</p> <p>15 at that time representing -- or as a -- he was on a</p> <p>16 consulting basis in some capacity for JP Morgan.</p> <p>17 Q. Either at the meeting back in May with</p> <p>18 Mr. Masters or at this -- or the meeting that led up to</p> <p>19 this 60-day lease extension letter, did anybody on the</p> <p>20 JP Morgan side or Mr. Hosey or Mr. Sone share with you</p> <p>21 that JP Morgan was working with investment bankers on</p> <p>22 possible alternatives for the South Texas Syndicate?</p> <p>23 A. No, that information was never shared with me.</p> <p>24 Q. Or did they share any information with you on</p> <p>25 evaluations that they had received from Ryder Scott</p>	<p>1 extended period of time -- more time than was stipulated</p> <p>2 in the existing lease for continuous development.</p> <p>3 Q. (BY MR. FLEGLE) So the end result of this</p> <p>4 June 21, 2012 letter was a 60-day extension on the</p> <p>5 3,094-acre lease or was it the same 60-day extension on</p> <p>6 the 4,888-acre lease?</p> <p>7 A. No. We did not receive a 60-day extension on</p> <p>8 that lease.</p> <p>9 Q. Do you remember what the extension was?</p> <p>10 A. There wasn't -- there wasn't an extension on that</p> <p>11 lease. There was an amendment to the continuous</p> <p>12 development provision when the amendment was finally</p> <p>13 constructed, but there was never a -- a extension on the</p> <p>14 primary term of the 4800-plus acre lease.</p> <p>15 Q. Was there an extension of the primary term of the</p> <p>16 3,094-acre lease?</p> <p>17 A. For 60 days, yes.</p> <p>18 Q. And the amount for that extension was \$154,700?</p> <p>19 A. That's what we had proposed, but if I remember</p> <p>20 correctly, I think the final compensation was 175,000,</p> <p>21 which was more than what we had proposed.</p> <p>22 Q. And how was the 175,000 calculated; do you know?</p> <p>23 A. I don't recall.</p> <p>24 Q. And was that 175,000 compensation for the 60-day</p> <p>25 lease extension applied to any amounts due by Hunt Oil</p>

24 (Pages 90 to 93)

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<p>1 on the subsequent extensions -- I'm sorry. The</p> <p>2 subsequent amendments that were in -- in I believe --</p> <p>3 A. Yeah. No, I believe that the 175,000 was solely</p> <p>4 for the 60-day extension.</p> <p>5 Q. Okay. And it was solely for an extension on the</p> <p>6 3,094-acre lease?</p> <p>7 A. I believe so.</p> <p>8 Q. Okay. And that amount to your knowledge was</p> <p>9 paid?</p> <p>10 A. Yes.</p> <p>11 (Exhibit Number 835 marked.)</p> <p>12 Q. (BY MR. FLEGLE) And this was covered by what was</p> <p>13 contemplated by Exhibit 67. Let me show you what's been</p> <p>14 marked as Exhibit 835 which is an Amendment of</p> <p>15 Memorandum of Oil and Gas Lease and see if that</p> <p>16 amendment or memorandum reflects the extension that was</p> <p>17 in your --</p> <p>18 A. I believe so, yes.</p> <p>19 Q. The extension in your June 21 letter?</p> <p>20 A. That's accurate.</p> <p>21 Q. Okay. And that amendment to the memorandum of</p> <p>22 the oil and gas lease only applies to the 3,000-plus</p> <p>23 acre lease, right?</p> <p>24 A. That's correct.</p> <p>25 Q. All right. Over the course of 2012, did you have</p>	<p>1 you to make that observation in your August 9 e-mail?</p> <p>2 A. I think that observation was sarcastic on my</p> <p>3 part. I certainly didn't think that Mr. Hosey or</p> <p>4 anybody at J -- at JP Morgan had literally trouble</p> <p>5 comprising language on extension of the primary term.</p> <p>6 It was sarcasm and frustration on my part prob -- you</p> <p>7 know, coming out on an e-mail, that we had not seen a</p> <p>8 language that would be acceptable to them for that</p> <p>9 purpose.</p> <p>10 Q. Did you get --</p> <p>11 A. Or -- or a response to a proposed amendment that</p> <p>12 we had sent. I don't recall which one.</p> <p>13 Q. Did you get a response from Mr. Tompkins</p> <p>14 explaining why you hadn't seen this language?</p> <p>15 A. Generally Mr. Tompkins when issues like this came</p> <p>16 up with -- continued to say that his legal team was</p> <p>17 reviewing it, they were discussing their options and</p> <p>18 that -- that he would -- he would try to get back with</p> <p>19 me as soon as he could when we had -- had something</p> <p>20 available to him to propose.</p> <p>21 Q. And did he have any explanation for why it was</p> <p>22 taking so long?</p> <p>23 A. In this instance I don't recall. I would assume</p> <p>24 it was because it was under review.</p> <p>25 (Exhibit Number 837 marked.)</p>
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<p>1 any opportunity to sit down and visit with anyone from</p> <p>2 Lazard or Bank of America or Jeffrey's or Mc -- Mc -- or</p> <p>3 any other investment banker that was evidencing interest</p> <p>4 in assisting JP Morgan as the trustee of the South Texas</p> <p>5 Syndicate in looking at alternatives for the South Texas</p> <p>6 Syndicate mineral interest?</p> <p>7 A. No, sir.</p> <p>8 (Exhibit Number 836 marked.)</p> <p>9 Q. (BY MR. FLEGLE) I'm -- I'm getting us to</p> <p>10 August 2012 and the discussions of what ultimately</p> <p>11 became amendments to the four leases. I've marked as</p> <p>12 Exhibit 836 an August 9 e-mail from you to Mr. Tompkins.</p> <p>13 A. Uh-huh.</p> <p>14 Q. And you see in the -- is this an e-mail from you</p> <p>15 to Mr. Tompkins?</p> <p>16 A. Yes, sir.</p> <p>17 Q. And you see in the first part of the e-mail,</p> <p>18 "H.L., per our conversation on Tuesday and due to the</p> <p>19 fact that we have yet to see a proposed amendment, I can</p> <p>20 only assume that your legal team continues to struggle</p> <p>21 to devise language that extends our leases for an</p> <p>22 additional 10 months and allows Hunt to pertain, per the</p> <p>23 RRC rules and regulations, the allowed or permitted</p> <p>24 amount of acreage around a horizontal well." Do you</p> <p>25 remember what Mr. Tompkins was saying to you that led</p>	<p>1 Q. (BY MR. FLEGLE) The next day there was a series</p> <p>2 of e-mails involving you and Mr. Tompkins. I've marked</p> <p>3 it as Exhibit 837 dated August 10. Can you identify</p> <p>4 those e-mails as including e-mails to you?</p> <p>5 A. And -- it does appear to be an e-mail exchange</p> <p>6 between myself and H.L. Tompkins.</p> <p>7 Q. And if you could -- and then there's an</p> <p>8 attachment to the e-mail that it has a marked-up version</p> <p>9 of some lease language.</p> <p>10 A. Uh-huh.</p> <p>11 Q. Is -- is that correct?</p> <p>12 A. I'm sorry, what was your -- I was trying to see.</p> <p>13 Q. The attachments to the e-mail string include</p> <p>14 marked-up language of lease language?</p> <p>15 A. Correct.</p> <p>16 Q. Can you tell whose version is -- are the</p> <p>17 additions and whose version are the deletions in this</p> <p>18 marked-up version?</p> <p>19 A. No, it's hard to -- I think -- I think this --</p> <p>20 I'm not certain to classify with this, but I -- I -- it</p> <p>21 appears that this is an proposed amendment coming from</p> <p>22 JP Morgan to Hunt.</p> <p>23 Q. Okay. And if you go a little bit further back in</p> <p>24 the body of the amendment that starts on the page that's</p> <p>25 numbered 108463-1; you see that?</p>

25 (Pages 94 to 97)

Page 98	Page 100
<p>1 A. Uh-huh.</p> <p>2 Q. I wanted to turn your attention to the third page</p> <p>3 of that attachment.</p> <p>4 A. Okay.</p> <p>5 Q. You see in item three it says in the last</p> <p>6 sentence of Paragraph 5I as amended on October 27, 2010.</p> <p>7 Is --</p> <p>8 A. I'm sorry, tell me again where we're reading</p> <p>9 here.</p> <p>10 Q. Let me -- let's go to the third page of a</p> <p>11 document that says, Amendment Oil and Gas Leases and</p> <p>12 it's at the top of the page and it's paragraph three.</p> <p>13 A. Okay.</p> <p>14 Q. And that paragraph it looks like has an insertion</p> <p>15 that would delete and replace paragraph 5I and the</p> <p>16 insertion provides a limitation on a certain time frame,</p> <p>17 right?</p> <p>18 A. Correct.</p> <p>19 Q. And the -- the limitation on the time frame is</p> <p>20 that the operator has to finish the fracking and</p> <p>21 completion operations no later than 90 days after the</p> <p>22 drilling rig is removed. Is that a fair statement for</p> <p>23 what that means?</p> <p>24 A. Yes. The -- right. Once a drilling rig is</p> <p>25 removed, it stipulates that within a 90-day period we</p>	<p>1 Q. Did Mr. Guzick also attend NAPE?</p> <p>2 A. Yes.</p> <p>3 Q. And how about Mr. Burkhardt?</p> <p>4 A. I believe so.</p> <p>5 Q. The -- the subject of the e-mail was STS lease</p> <p>6 amendments, extension of primary term, continuous</p> <p>7 development and retained acreage. Those were the three</p> <p>8 big issues for Hunt Oil for these amendments, weren't</p> <p>9 they?</p> <p>10 A. Yes.</p> <p>11 Q. Now, by the time this version of the lease</p> <p>12 amendment had been circulated, that is, on Friday,</p> <p>13 August 17, 2012, had JP Morgan, its trustee, and Hunt</p> <p>14 Oil, its lessee, come to an agreement on what, if any,</p> <p>15 bonus payments would be paid for these amendments?</p> <p>16 A. I believe so.</p> <p>17 Q. And what was the bonus payment at that point in</p> <p>18 time; do you remember?</p> <p>19 A. And when you say bonus payment, you mean</p> <p>20 compensation in exchange for an executed amendment?</p> <p>21 Q. Yes.</p> <p>22 A. It was over \$3 million.</p> <p>23 Q. Do you remember the per acre?</p> <p>24 A. I don't. I --</p> <p>25 MR. BEITER: Objection; form.</p>
Page 99	Page 101
<p>1 would commence fracturing operations.</p> <p>2 Q. Okay. And do you know whether or not that ended</p> <p>3 up in the actual amendment?</p> <p>4 A. It did but it was revised to 120 days, if I</p> <p>5 remember correctly.</p> <p>6 Q. Okay. And going back to the e-mails here -- no,</p> <p>7 actually, I don't have any questions on the e-mail.</p> <p>8 (Exhibit Number 838 marked.)</p> <p>9 Q. (BY MR. FLEGLE) About a week later it looks like</p> <p>10 there was a series of response -- e-mail from Curtis</p> <p>11 Riddle and I'll show you Exhibit 838. It's an August 17</p> <p>12 e-mail from Mr. Riddle. You were copied on this e-mail?</p> <p>13 A. Correct.</p> <p>14 Q. And who is Curtis Riddle?</p> <p>15 A. Curtis Riddle is an in-house counsel for Hunt Oil</p> <p>16 Company, and if I remember correctly the reason he was</p> <p>17 sending these e-mails and I was -- instead of me and why</p> <p>18 I was CC'd is because this is the week of the NAPE</p> <p>19 conference in Houston.</p> <p>20 Q. And you attend?</p> <p>21 A. And we attend the NAPE conference and Curtis was</p> <p>22 here and Curtis was a part of the process of reviewing</p> <p>23 these proposed amendments and advising Hunt on the</p> <p>24 proposed amendments and so he was making communications</p> <p>25 with those at JP Morgan and Peter Hosey.</p>	<p>1 A. I don't recall how that number came to be</p> <p>2 calculated or what it was based off of. I just...</p> <p>3 Q. (BY MR. FLEGLE) Do you remember who proposed the</p> <p>4 payment number that was ultimately made?</p> <p>5 A. Well, had Hunt proposed it, it would've been a</p> <p>6 lot less than \$3 million, but JP Morgan proposed a</p> <p>7 number and I'm sure we counterproposed and it was</p> <p>8 somehow or another settled on the number that it came</p> <p>9 to, but...</p> <p>10 Q. Do you remember what the first number was that JP</p> <p>11 Morgan proposed?</p> <p>12 A. I don't.</p> <p>13 Q. Now, around this time there was a little bit of a</p> <p>14 back-and-forth about retained acreage amounts; do you</p> <p>15 remember that?</p> <p>16 A. I do.</p> <p>17 (Exhibit Number 839 marked.)</p> <p>18 Q. (BY MR. FLEGLE) I'm going to show you</p> <p>19 Exhibit 839. It's a series of e-mails. I marked the</p> <p>20 wrong one but it's all right with me. Series of e-mails</p> <p>21 including you and Peter Hosey and Mr. Tompkins. It</p> <p>22 looks like all on August 21 and -- and Mr. Hosey at</p> <p>23 Jackson Walker writes to you at the top at 3:49 p.m. on</p> <p>24 Tuesday, August 21. "Bill, if he said 440, it can be</p> <p>25 changed. I will follow up with H.L. He will be calling</p>

26 (Pages 98 to 101)

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<p>1 me about the 1391 3H anyway." What was the deal about 2 the 440? What did that relate to and why was that an 3 issue? 4 A. It was part of the retained acreage amendment our 5 proposed amendment included that Hunt Oil Company would 6 be able to retain the amount of acreage around a given 7 well as was permitted by the field rules of the Railroad 8 Commission. So the amount of acreage that you can 9 retain around a given well is determined by the length 10 of a given lateral from first take point to last take 11 point, and the longer that well is, the more acreage you 12 can retain as permitted by the Railroad Commission. 13 That's what our proposal was and JP Morgan and Mr. Hosey 14 proposed that we could use the Railroad Commission 15 rules, hold as much acreage as the lateral will allow. 16 But in no event could we hold more than 360 around any 17 well. So in theory we would be drilling a well long 18 enough to hold, for example, 500 acres, but per our 19 lease amendment we would still be restricted to 360 at 20 that point. However, up until that point before the 21 amendment we had drilled several wells or more than one 22 well that per the Railroad Commission rules would've 23 held, for example, 420 or in this case 440, and we were 24 okay with the cap on 360 moving forward, but what we had 25 wanted was the wells that we had already drilled to be</p>	<p>1 Q. Sure. Let's just take the -- the well that we 2 were just talking about a minute ago. Under the 3 Railroad Commission rules I believe you were saying that 4 well could retain 440 acres, fair? 5 A. Correct. Yeah, fair. 6 Q. I think my English -- I hope my English is right. 7 A. Yeah, that's fair. 8 Q. But Hunt Oil and JP Morgan could contractually 9 determine that that horizontal well would only retain 10 360 acres? 11 A. Correct. 12 Q. And the Railroad Commission's not going to 13 complain about that? 14 A. No. 15 Q. Now, if the rules says that lateral can contain 16 440 acres and you by contract go to 600 acres, is that 17 still allowable under your understanding? 18 A. Yes. 19 Q. Okay. 20 A. So if -- in essence a lease can override what the 21 Railroad Commission rules are if both parties agree to 22 that. 23 (Exhibit Number 58F referenced.) 24 Q. (BY MR. FLEGLE) Okay. All right. The -- all 25 the work that we've talking about here resulted in some</p>
Page 103	Page 105
<p>1 able to retain the amount of acreage just as the field 2 rules had read with no cap at 360. So this particular 3 e-mail references a conversation that we had agreed that 4 the wells we had drilled up to that point. In this case 5 the STS 5H was long enough to retain 440 acres and we 6 wanted to be able to obtain that 440 but any well going 7 forward would be capped at 360. So that's what my 8 e-mail said and then Mr. Hosey replied that if -- if 9 H.L. said 440 and that was okay, then I'll discuss that 10 with him. 11 Q. Okay. And from a sample of looking at the 12 Railroad Commission rules as you understand them 13 applying here, those rules set a maximum that can be 14 retained, right? 15 MR. DAVIDSON: Objection; form. 16 MR. BEITER: Yeah, if that's done, then 17 objection; form here. 18 Q. (BY MR. FLEGLE) Well, let me ask you this way. 19 A. Okay. 20 Q. No matter what the Railroad Commission rules 21 allow parties can contract in the lease to provide for 22 less than the Railroad Commission rules allow to be 23 retained when a well is completed, right? 24 A. Is your question -- can you -- would you mind 25 rephrasing that?</p>	<p>1 amendments and I just need to make sure that I've got 2 them identified right. I'm going to show you 3 Exhibit 58F, which is an amendment. Let me see, before 4 I go any further, let me just make sure I know what I'm 5 talking about. The lease that this applies to I know 6 them by acreage. 7 A. Yeah. 8 Q. So the Exhibit A to this Document 58F applies to 9 the 683-acre lease and the 2,371-acre lease; does it 10 not? 11 A. That's correct. 12 Q. And this is one of the amendments that all of 13 these e-mails were flying about in 2012? 14 A. Correct. 15 (Exhibit Number 60C referenced.) 16 Q. (BY MR. FLEGLE) And then Exhibit 60C -- let me 17 show you that to you -- is another amendment and this 18 one applies to the 4,224-acre lease, correct? 19 A. Correct. 20 Q. And it, again, is an amendment on August 24, 2012 21 that we've been talking about; is that right? 22 A. Correct. 23 (Exhibit Number 62B referenced.) 24 Q. (BY MR. FLEGLE) And let me show you Exhibit 62B 25 and have you identify Exhibit 62B as the amendment to</p>

27 (Pages 102 to 105)

<p style="text-align: right;">Page 106</p> <p>1 the lease that involves 3,094 acres.</p> <p>2 A. That's correct.</p> <p>3 Q. And all three of these amendments relate to the</p> <p>4 leases that Hunt Oil had an interest in in the South</p> <p>5 Texas Syndicate mineral interest?</p> <p>6 A. That's correct.</p> <p>7 Q. Now, I notice in these amendments in the whereas</p> <p>8 clauses I believe there's a mention -- I thought I just</p> <p>9 saw -- yeah, there's a mention in here of Murphy</p> <p>10 expiration and production. So by -- at least by August</p> <p>11 of 2012, Murphy had stepped in for the Bass companies?</p> <p>12 A. That's correct.</p> <p>13 Q. There is a report or -- yeah, a report that was</p> <p>14 put together by Lazard that involved the South Texas</p> <p>15 Syndicate the year after these amendments. It was</p> <p>16 finalized, I guess is the right word, in April of 2013.</p> <p>17 Have you ever been given a copy of the Lazard report?</p> <p>18 A. No, sir.</p> <p>19 Q. Or -- and just to make sure, did you ever talk to</p> <p>20 anybody at Lazard or Jackson Walker about the Hunt Oil</p> <p>21 lease interest in the South Texas Syndicate mineral</p> <p>22 estate for purposes of a Lazard report?</p> <p>23 A. No, sir.</p> <p>24 Q. Or for accuracy of what Lazard said about Hunt</p> <p>25 Oil?</p>	<p style="text-align: right;">Page 108</p> <p>1 Q. How long have you worked as a landman?</p> <p>2 A. Ten years or more.</p> <p>3 Q. And with whom did you work before Hunt?</p> <p>4 A. I was an independent for the most part working</p> <p>5 for different -- as a contractor for different</p> <p>6 companies.</p> <p>7 Q. All right. And these different companies that</p> <p>8 you worked with, did you do things similar for them that</p> <p>9 you've done since you've been a landman at Hunt?</p> <p>10 A. Yes. Leasing, working with landowners, working</p> <p>11 with companies, similar job duties just more advanced at</p> <p>12 Hunt than prior.</p> <p>13 Q. So during that period have you negotiated a lot</p> <p>14 of leases?</p> <p>15 A. Yes, sir.</p> <p>16 Q. How about lease amendments?</p> <p>17 A. Yes, sir.</p> <p>18 Q. Have you negotiated with a lot of people, oil and</p> <p>19 gas industry people with a lot of experience?</p> <p>20 A. Yes, sir.</p> <p>21 Q. Has it been your experience that different people</p> <p>22 have different negotiating styles?</p> <p>23 A. Yes, sir.</p> <p>24 Q. Some people are very open in negotiations and</p> <p>25 others less so?</p>
<p style="text-align: right;">Page 107</p> <p>1 A. No, sir.</p> <p>2 MR. FLEGLE: Pass the witness. Thank you</p> <p>3 for your time by the way.</p> <p>4 THE WITNESS: Thank you.</p> <p>5 EXAMINATION</p> <p>6 BY MR. BEITER:</p> <p>7 Q. Mr. Osborn --</p> <p>8 A. Yes, sir.</p> <p>9 Q. -- I introduced myself earlier, but, once again,</p> <p>10 my name is Kevin Beiter. I'm an attorney from San</p> <p>11 Antonio, Texas, representing JP Morgan in this case. We</p> <p>12 started off with a brief introduction of your time since</p> <p>13 you've been with Hunt Oil Company. Can you tell me</p> <p>14 something about your yourself? Where did you grow up?</p> <p>15 A. For the most part in Denver, Colorado, and then</p> <p>16 moved here soon after I graduated from high school.</p> <p>17 Q. Where did you go to college?</p> <p>18 A. University of North Texas.</p> <p>19 Q. What did you major in at University of North</p> <p>20 Texas?</p> <p>21 A. Received a Bachelor's Degree in Arts and Applied</p> <p>22 Sciences.</p> <p>23 Q. Have you always worked as a landman since</p> <p>24 graduating college?</p> <p>25 A. No. I've had other jobs, sales jobs.</p>	<p style="text-align: right;">Page 109</p> <p>1 A. That's true.</p> <p>2 Q. Have you ever been involved in negotiations with</p> <p>3 a company where you felt like you were becoming</p> <p>4 frustrated with a negotiation process other than what</p> <p>5 you related --</p> <p>6 A. Yes.</p> <p>7 Q. -- regarding to JP Morgan?</p> <p>8 A. Yes.</p> <p>9 Q. And negotiations can be frustrating, can't they?</p> <p>10 A. They can.</p> <p>11 Q. Have you ever run into somebody before that --</p> <p>12 that slow plays negotiations?</p> <p>13 A. Yes.</p> <p>14 Q. And is it your experience that some people do</p> <p>15 that for the purpose of securing their terms?</p> <p>16 A. Yes.</p> <p>17 Q. In terms of the negotiations you had, were all of</p> <p>18 them with -- with H.L. Tompkins at least as a point</p> <p>19 person?</p> <p>20 A. As it pertains to the South Texas Syndicate</p> <p>21 leases, yes.</p> <p>22 Q. Oh, pardon me. That wasn't clear, yes, sir.</p> <p>23 A. Yes.</p> <p>24 Q. Did Mr. Tompkins seem knowledgeable regarding the</p> <p>25 asset he was trying to lease?</p>

28 (Pages 106 to 109)

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<p>1 A. Yes.</p> <p>2 MR. FLEGLE: Objection; form.</p> <p>3 Q. (BY MR. BEITER) Did -- did he seem to be</p> <p>4 experienced in -- in terms of the -- the business he was</p> <p>5 in?</p> <p>6 A. Yes.</p> <p>7 Q. Did you find him to be competent?</p> <p>8 A. Yes.</p> <p>9 Q. Was he ever discourteous to you?</p> <p>10 A. Never discourteous.</p> <p>11 Q. Were you able to speak with him when you were in</p> <p>12 negotiations person to person without animosity?</p> <p>13 A. Yes. I would say that we have a amicable working</p> <p>14 relationship.</p> <p>15 Q. Now, when you're negotiating on behalf of -- and</p> <p>16 let's focus on Hunt Oil Company -- let me back up once</p> <p>17 again. Have you always worked, when you were an</p> <p>18 independent, did you work for the -- the mineral lessee,</p> <p>19 the operator side of things?</p> <p>20 A. Yes.</p> <p>21 Q. Did you ever represent the landowner side of the</p> <p>22 transactions?</p> <p>23 A. No, sir.</p> <p>24 Q. But is it correct to say that landowners who own</p> <p>25 minerals have interests that are different from those of</p>	<p>1 A. I would say that Hunt Oil Company puts high</p> <p>2 priority on being as cooperative and as courteous to</p> <p>3 surface owners as we can, but yet still doing what's in</p> <p>4 -- in Hunt's best interest to best develop or explore or</p> <p>5 produce for oil and gas.</p> <p>6 Q. In -- in your experience, is it beneficial to</p> <p>7 mineral development to maintain good relations with the</p> <p>8 surface owner?</p> <p>9 A. Yes, in a lot of respects it is very beneficial.</p> <p>10 Q. Have you ever seen a situation where mineral</p> <p>11 development was hurt or badly impacted because of</p> <p>12 conflicts with surface owners?</p> <p>13 A. I -- can you repeat that question one more time?</p> <p>14 Q. Sure. Have you ever seen a situation in your</p> <p>15 experience, where for instance, a well you wanted to</p> <p>16 drill was delayed or impacted because of a dispute with</p> <p>17 a surface owner?</p> <p>18 A. I can't remember a specific instance where a well</p> <p>19 has been delayed due to a conflict with the surface</p> <p>20 owner.</p> <p>21 Q. What about a situation where an easement can't be</p> <p>22 placed where you want it because of a conflict?</p> <p>23 A. Yes, I have seen that fairly frequently.</p> <p>24 Q. And does that impact at least Hunt's options</p> <p>25 regarding operating the way that it wants to operate in</p>
Page 111	Page 113
<p>1 the mineral lessee?</p> <p>2 A. I would say that's true in certain aspects, yes.</p> <p>3 Q. Sometimes their interests conflict and sometimes</p> <p>4 they align; is that right?</p> <p>5 A. That's correct.</p> <p>6 Q. In terms of -- in this case, you're aware that</p> <p>7 the minerals that STS were in, the STS group, they were</p> <p>8 minerals and -- and did not include surface?</p> <p>9 A. That's correct, I do understand that.</p> <p>10 Q. And -- and so once again, to throw in one other</p> <p>11 set of interests, is it correct that at some times the</p> <p>12 surface owner has interests that are in opposition both</p> <p>13 to the mineral owner and to the mineral lessee?</p> <p>14 A. Yes.</p> <p>15 Q. For instance, there was a little talk about</p> <p>16 easements earlier.</p> <p>17 A. Correct.</p> <p>18 Q. Are -- are you familiar with negotiating the</p> <p>19 terms of easements with service owners?</p> <p>20 A. Yes, sir.</p> <p>21 Q. Does Hunt have a policy regarding relations with</p> <p>22 surface owners?</p> <p>23 A. I'm not sure we have a policy. We have a mission</p> <p>24 statement, per se.</p> <p>25 Q. And -- and what is that mission statement?</p>	<p>1 a given area?</p> <p>2 A. It can have an impact.</p> <p>3 Q. Are you a member of any professional landman</p> <p>4 organizations?</p> <p>5 A. The Dallas Association, Petroleum Landman and the</p> <p>6 American Association Petroleum Landman.</p> <p>7 Q. Are you a certified petroleum landman?</p> <p>8 A. No, registered.</p> <p>9 Q. Registered. And can you explain for the jury</p> <p>10 what -- what is involved in the registration process and</p> <p>11 a little bit about those two organizations?</p> <p>12 A. The APL is a national organization that landmen</p> <p>13 all over the country generally choose to -- it's a</p> <p>14 voluntary organization. But there are classes, there</p> <p>15 are networking events. And the Dallas Association of</p> <p>16 petroleum landman is similar. There is networking</p> <p>17 events, educational events. It's just an industry</p> <p>18 organization.</p> <p>19 Q. Are you familiar with a APL code of conduct</p> <p>20 for --</p> <p>21 A. I am.</p> <p>22 Q. -- landman?</p> <p>23 A. I am.</p> <p>24 Q. And is it from your perspective something you try</p> <p>25 to conform to?</p>

29 (Pages 110 to 113)

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<p>1 A. I do.</p> <p>2 Q. And looking at the negotiations in this process I</p> <p>3 know there's been some indication perhaps that</p> <p>4 Mr. Tompkins was not as responsive as you'd like for him</p> <p>5 to be. Were all of the negotiations handled in an</p> <p>6 ethical way in your experience?</p> <p>7 A. Absolutely.</p> <p>8 Q. Now, there was some discussion of amendments to</p> <p>9 extend the primary terms of the leases in 2012. All</p> <p>10 right. We just went through the four amendments that</p> <p>11 ultimately ended up amending those leases. You</p> <p>12 indicated when you were asked about the amount of money</p> <p>13 that was paid that the amount was something north of</p> <p>14 \$3 million. Did I understand that correctly?</p> <p>15 A. Yes, sir.</p> <p>16 Q. And you also made the comment that had Hunt been</p> <p>17 able to pursue its preferences, it would have been less</p> <p>18 than \$3 million?</p> <p>19 A. Yes, significantly less.</p> <p>20 Q. Could -- could you explain to me why you think</p> <p>21 that?</p> <p>22 A. Well, just Hunt Oil Company would've -- from an</p> <p>23 economic standpoint been preferred to pay less money and</p> <p>24 we -- I'm sure at some juncture proposed to pay less</p> <p>25 money. We -- we did not have -- we did not disagree</p>	<p>1 considerations that go back and forth other than just</p> <p>2 bonus money, aren't there?</p> <p>3 A. Yes.</p> <p>4 Q. For instance, there's a royalty?</p> <p>5 A. Uh-huh.</p> <p>6 Q. One of the considerations that goes both ways is</p> <p>7 the retained acreage provision?</p> <p>8 A. Correct.</p> <p>9 Q. A more literal retained acreage provision is a</p> <p>10 consideration the oil company negotiates for a stricter</p> <p>11 retained acreage provision or one that the landowner or</p> <p>12 lessor negotiates for, isn't it?</p> <p>13 A. Correct.</p> <p>14 Q. And those things have values to both parties,</p> <p>15 correct?</p> <p>16 A. Correct.</p> <p>17 Q. And is it correct to say that what you try to</p> <p>18 strike as a balance that -- where both parties get as</p> <p>19 close as they want as possible?</p> <p>20 A. Right. I'd say that in most cases you attempt to</p> <p>21 reach an agreement that's mutually beneficial to both</p> <p>22 parties.</p> <p>23 Q. In the case of the lease amendments that were</p> <p>24 done in 2012, the four that were referenced, is it your</p> <p>25 opinion that they ultimately achieved the goals of both</p>
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<p>1 with the concept of compensating JP Morgan for certain</p> <p>2 aspects of the lease amendment, but as always we -- we</p> <p>3 try to acquire those things for as few amount of dollars</p> <p>4 as reasonably possible.</p> <p>5 Q. Sure. And that's one of those places where the</p> <p>6 interest of the mineral owner and the interest of the</p> <p>7 mineral lessee are somewhat different; is that right?</p> <p>8 A. The difference between the -- the lessor and the</p> <p>9 lessee?</p> <p>10 Q. Yes.</p> <p>11 A. Yes, I would agree.</p> <p>12 Q. They obviously want you to pay more you and you</p> <p>13 obviously want to pay less?</p> <p>14 A. That's accurate.</p> <p>15 Q. Did you feel like the amount negotiated was</p> <p>16 highly favorable to JP Morgan than its beneficiaries?</p> <p>17 A. I -- I would say so, yeah.</p> <p>18 Q. And in terms of the amendments -- when you</p> <p>19 negotiated for an amendment or for a lease and you talk</p> <p>20 about the considerations, there are considerations other</p> <p>21 than just money being paid, aren't there?</p> <p>22 A. If you wouldn't mind rephrasing that one. I'm</p> <p>23 not sure I understand the --</p> <p>24 Q. Sure. Let me just give you an example. Under an</p> <p>25 oil and gas lease when someone leases to Hunt, there are</p>	<p>1 parties?</p> <p>2 A. I would. If you look at the amendments that</p> <p>3 we're discussing from 2012, those amendments actually</p> <p>4 gave Hunt Oil Company some advantages, some flexibility</p> <p>5 and then opportunity to better develop the minerals, but</p> <p>6 it also as part of that amendment, you know, up until</p> <p>7 that time we could retain from the surface down to a</p> <p>8 hundred feet below the base of the Eagle Ford. But that</p> <p>9 amendment changed that to where we could only retain</p> <p>10 50 feet above and 50 feet below, so that was a favorable</p> <p>11 provision for JP Morgan and STS for that amendment.</p> <p>12 Furthermore, also part of that amendment if you recall</p> <p>13 the previous amendment when we asserted that a well was</p> <p>14 completed after the fracturing equipment was removed as</p> <p>15 part of that 2012 amendment, there was the time frame</p> <p>16 added to that which wasn't there before. So we got some</p> <p>17 more time to analyze our data to hopefully improve well</p> <p>18 performance. We were able to some degree get the</p> <p>19 retained acreage we were hoping for although it wasn't</p> <p>20 -- it was a cap on it which wasn't part of our initial</p> <p>21 proposal. In exchange JP Morgan and the South Texas</p> <p>22 Syndicate received a more favorable Pugh Clause and a</p> <p>23 defined time frame as -- that -- that -- where Hunt Oil</p> <p>24 Company as the operator had to commence fracturing</p> <p>25 operations.</p>

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<p>1 Q. In your experience are there situations where --</p> <p>2 A. And the \$3 million.</p> <p>3 Q. Let's not forget the \$3 million certainly. In</p> <p>4 your experience, are there situations in which giving</p> <p>5 the operator greater operational flexibility by amending</p> <p>6 the lease retained acreage provisions actually serves</p> <p>7 the benefits of efficient development of the minerals?</p> <p>8 A. I would agree with that.</p> <p>9 Q. And -- and is it your sense that that goal was</p> <p>10 being furthered by the amendments that JP Morgan</p> <p>11 negotiated with Hunt in 2012?</p> <p>12 A. Yes, I would agree with that.</p> <p>13 MR. BEITER: I just got a note from the</p> <p>14 reporter [sic] that we're down to five minutes so why</p> <p>15 don't we take a break at this point while we change</p> <p>16 tapes and we'll pick back up --</p> <p>17 THE WITNESS: Okay.</p> <p>18 MR. BEITER: -- after a short break.</p> <p>19 THE VIDEOGRAPHER: Off the record at</p> <p>20 2:18 p.m.</p> <p>21 (Break taken from 2:18 p.m. to 2:28 p.m.)</p> <p>22 THE VIDEOGRAPHER: Back on the record at</p> <p>23 2:28 p.m.</p> <p>24 Q. (BY MR. BEITER) All right, sir. Let me ask you</p> <p>25 about a couple of documents that were --</p>	<p>1 it is apparent that most if not all of the wells will</p> <p>2 not reach payout. Do you have an understanding that's</p> <p>3 inconsistent with that?</p> <p>4 MR. FLEGLE: Objection; form.</p> <p>5 A. I can't -- I can't -- I couldn't really comment</p> <p>6 on the economics of it as it refers to payout.</p> <p>7 Q. (BY MR. BEITER) At the time that JP Morgan was</p> <p>8 negotiating with Hunt for an extension of the leases in</p> <p>9 2012, Hunt had options other than paying money for a</p> <p>10 lease extension, didn't it?</p> <p>11 A. Sure. We could've just continued to drill wells.</p> <p>12 Q. Right. So had the banks said, no, we're not</p> <p>13 going to agree to these extensions or any amendments,</p> <p>14 Hunt could've simply said, okay, we'll stand on our</p> <p>15 rights and proceed or drop the leases as we see fit?</p> <p>16 A. That's correct.</p> <p>17 Q. There was time on primary terms so you could make</p> <p>18 a mid course correction, correct?</p> <p>19 MR. FLEGLE: Objection; form.</p> <p>20 A. We -- we could have. Yes, we could have. We had</p> <p>21 options. We could have either dropped the leases or we</p> <p>22 could have continued to drill, but if you -- if you</p> <p>23 notice in the wells that we've drilled that that</p> <p>24 extension actually I think benefitted everyone involved.</p> <p>25 We changed the azimuth of our wells due to that</p>
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<p>1 A. Sure.</p> <p>2 Q. -- previously given to you. And the one I want</p> <p>3 to ask you about is a document dated May 8th, 2012. It</p> <p>4 was previously marked as Exhibit 401 and it was a letter</p> <p>5 from Masters Consulting to H.L. Tompkins. You were</p> <p>6 asked some questions about that. Mr. Masters says in</p> <p>7 this letter in 2012 that up to the point of this letter,</p> <p>8 Hunt's results in the wells that it had drilled had not</p> <p>9 been very good. Is -- is that consistent with your</p> <p>10 understanding?</p> <p>11 MR. FLEGLE: Objection; form.</p> <p>12 A. My understanding was that up to that point, yes,</p> <p>13 we weren't satisfied with the economics of the wells we</p> <p>14 had drilled up to that point which is what promoted us</p> <p>15 to conduct the microseismic testing and all of the other</p> <p>16 things that Mr. Masters reviewed.</p> <p>17 Q. (BY MR. BEITER) He also makes the comment that</p> <p>18 up to that point Hunt had spent a lot of money on its</p> <p>19 evaluation of the STS acreage?</p> <p>20 A. That's correct.</p> <p>21 Q. And would he be correct in that connection?</p> <p>22 A. I can make that assumption although I'm not privy</p> <p>23 to what the exact cost, you know, or the total amount of</p> <p>24 money that Hunt had spent for those things.</p> <p>25 Q. He -- he -- he comes to a final conclusion that</p>	<p>1 extension. And since that time that change of azimuth</p> <p>2 which was due to in large part the microseismic testing</p> <p>3 that we referred to earlier that Mr. Masters reviewed,</p> <p>4 we changed the actual -- slightly changed the azimuth of</p> <p>5 the well, changed our frac technique and since that</p> <p>6 point our wells have been much better, much more</p> <p>7 economic to my understanding.</p> <p>8 Q. In your view, is that one of those situations</p> <p>9 where lease accommodation to the mineral lessee has</p> <p>10 resulted in benefits to the mineral owner?</p> <p>11 A. I would say that it resulted in benefits for the</p> <p>12 lessor and the lessee. It's helped us drill better</p> <p>13 wells which in terms benefits the lessor.</p> <p>14 Q. And in your experience, would that improvement</p> <p>15 likely result in more wells being drilled than if you</p> <p>16 had not experienced that improvement?</p> <p>17 A. I would say that is a very accurate statement.</p> <p>18 Q. Do you have any opinion based on your experience</p> <p>19 as to, let's say, that the bank had said no on these</p> <p>20 amendments and Hunt had released the well -- the leases</p> <p>21 after drilling a number of uneconomic wells. Do you</p> <p>22 have a sense of how the oil and gas industry generally</p> <p>23 looks at a property in that situation?</p> <p>24 MR. FLEGLE: Objection; form.</p> <p>25 A. My impression would be that a company that</p>

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<p>1 would've -- had we dropped the leases any company that 2 would've come in afterwards would've probably looked at 3 the well performance up to that point, and I think it's 4 safe to assume that they would not have been as excited 5 about that acreage as they would've been other Eagle 6 Ford acreage in the -- in the trend. 7 Q. (BY MR. BEITER) In other words, not allowing 8 Hunt time to improve its performance by incorporating 9 new data would've hurt the value of the minerals? 10 MR. FLEGLE: Objection; form. 11 A. I can't say that. I don't -- you know, I think 12 it's -- I think it helped Hunt and I think it helped the 13 lessor at that time and what would've happened in the 14 future, you know, I can't really speak to, but I think 15 at that time it was beneficial to all parties involved. 16 Q. (BY MR. BEITER) Now, you weren't involved at the 17 time of the 2010 amendments, were you? 18 A. Yes. 19 Q. You were or were not? 20 A. 2010 -- 21 Q. Yes. 22 A. -- amendments, yes, I was. 23 Q. Okay. One of the issues there was the permits or 24 prescribes language in the retained acreage provision. 25 Do you know what I'm talking about?</p>	<p>1 Q. Okay. What about -- are you -- are you aware of 2 component to those rules that ties allowable production 3 to the number of acres you have associated with the 4 well? 5 A. Yeah. 6 Q. And what is that relationship? 7 A. Without the field rules right in front of me, but 8 there's a calculation involved that and -- and, you 9 know, I have the field rules on my desk and I look at 10 them regularly, but I can't spit them out verbatim right 11 now. 12 Q. Sure. But in general, is it correct to say that 13 if you have more acreage allocated to a well you have a 14 higher allowable as well? 15 A. Yes, that's fair to say. 16 Q. So again, allocating larger acreage to the well 17 has the additional benefit of assigning a higher 18 allowable production rate to that well? 19 A. That's correct. 20 Q. And again, that would be one of those situations 21 where it would be beneficial both to the royalty owner 22 and to the lessee to allocate more acreage to a well; 23 isn't that right? 24 MR. FLEGLE: Objection; form. 25 A. I think you could say that.</p>
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<p>1 A. I do. 2 Q. And -- and would you describe for me your 3 understanding of the issue you were trying to address? 4 A. When a provision reads that a lessee in this case 5 -- let's assume the lessee is Hunt Oil Company has to do 6 with the Railroad Commission prescribes. What's 7 prescribed in -- in this case would've been -- the only 8 thing prescribed would have been to retain the minimum 9 amount what's permitted by the Railroad Commission which 10 is the Rule 86 formula that the -- the amount of acreage 11 you can retain around a given well based on the length 12 of the lateral is what the Railroad Commission would 13 have permitted not prescribed. 14 Q. Are you -- do you have a detailed understanding 15 of the field rules applicable to the field in which this 16 STS acreage is located? 17 A. I do. 18 Q. Do you know which field this acreage is located 19 in, which Eagle Ford field? 20 A. The Eagleville, Eagle Ford one. 21 Q. All right. Is there a component in the Eagle 22 Ford field rules for this field that relates to 23 tolerance wells? 24 A. I'm not really familiar with that term: 25 Tolerance wells.</p>	<p>1 Q. (BY MR. BEITER) Now, I think, if I understood 2 your testimony earlier correctly, there was also one of 3 the issues you were trying to the address was being able 4 to have more flexibility where you located wells 5 relative to lease lines, and in particular, let me -- 6 let me focus back on the lease amendment where you took 7 acreage that was under one lease and assigned it to a 8 different lease? 9 A. That's correct. 10 Q. All right. And you're aware that there are field 11 rules requirements regarding -- statewide and field 12 rules requirements regarding the location of wells 13 relative to lease lines, correct? 14 A. That's correct. 15 Q. And if you have different leases without the 16 ability to pool those leases, do the spacing 17 requirements of wells to lease lines limit where you can 18 put those wells? 19 A. Yes. 20 Q. Now, if -- for instance, rather than having four 21 leases that in the aggregate covered -- what are we 22 at -- 23 A. Over 10,000 -- 24 Q. Over 10,000 acres. If you had a single well -- 25 single lease that covered 10,000 acres, in other words,</p>

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<p>1 it had just been a single lease, no lease lines, would 2 that have given Hunt better flexibility regarding where 3 it could locate wells? 4 A. Yes. 5 Q. Would that have given Hunt better flexibility 6 with the setting up its development patterns without 7 being concerned with lease lines? 8 A. With no -- with no pooling provision, yes, that's 9 true, but -- go ahead. I'm sorry. 10 Q. The consents to assign that were required, why 11 were you required to get consents to the assignments, 12 for instance, to Marubeni from JP Morgan? 13 A. It was stipulated in the lease. 14 Q. All right. Now, does -- does the stipulation of 15 the lease require that any assignment entail a consent 16 to assign or only certain assignments? 17 A. I'd have to review that, but I believe it's any 18 assignment. 19 Q. Okay. When you request assignments be consented 20 to, did the bank -- did -- did they give consent? 21 A. Yes. 22 Q. Did they ever ask for information relative to the 23 assignment before giving consent? 24 A. I don't recall. 25 Q. I want to refer you to a couple of exhibits that</p>	<p>1 third line from the last -- from the end of the first 2 paragraph it says -- it's -- I'm sorry. I picked the 3 wrong spot. Here it is. Let's -- let's look at 4 paragraph two. It says, "Each of these schedules is 5 qualified in its entirety by reference to specific 6 provisions of the agreement and is it not intended to 7 constitute and should not be construed as constituting 8 representations or warranties" and going on. In -- in 9 your experience looking at a purchase and sale agreement 10 in order to understand what "considerations," you know, 11 things that go back and forth that are of value to the 12 parties, you need to take a look at the entire 13 agreement? 14 A. I would say that's accurate. 15 Q. And that would include all of the schedules as 16 well, correct? 17 A. Correct. 18 MR. FLEGLE: Objection; form. 19 Q. (BY MR. BEITER) So let me get you to look at 20 Schedule 3.6 which is Exhibit 829. Now, Exhibit 3 -- or 21 Schedule 3.6 would appear to be numbered between 22 Schedule 1 point -- 1-1 and 1-4, correct? 23 A. Correct. 24 Q. Suggesting that there are a number of schedules 25 that are not included in this package that was marked as</p>
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<p>1 we discussed earlier. It's Exhibit 829 and Exhibit 830. 2 If you could pull those out, please? 3 A. 820 -- I'm sorry, which numbers? 4 Q. 29 and 30. 5 A. There's 828. Okay. 6 Q. Okay. 7 A. Okay. 8 Q. I think some questions were asked in the general 9 understanding of those two documents is that they are 10 associated with the Marubeni transaction with Hunt Oil 11 Company; is that your -- 12 A. You're right. 13 Q. -- understanding as well? 14 A. It's my understanding. 15 Q. Okay. Let's start with Exhibit 830. And it's 16 headed Schedules of Purchase and Sale Agreement. If you 17 would flip over to the first schedule. It's numbered 18 1-1. Then you flip to the next page and it's schedule 19 4-1; do you see that? 20 A. Correct. 21 Q. So there's obviously some schedules that is not 22 included in this package of schedules? 23 A. Correct. 24 Q. All right. Now, if you'll turn back to the first 25 page. The description says -- and I'll start down about</p>	<p>1 Exhibit 830. Would that be fair to say? 2 A. Fair to say. 3 Q. And also I'm not trying to put words in your 4 mouth. Am I correct in assuming that you don't have 5 much in the way of personal knowledge about Schedule 3.6 6 or would I be incorrect? 7 A. That would be correct. This was not negotiated 8 by me or written by me. It's not -- you know, this is 9 just something that I had seen, but I don't really have 10 any background or firsthand knowledge of it. 11 Q. In your experience as a landman, have you ever 12 worked on purchase and sale agreements where you've done 13 a value allocation for acreage? 14 A. Yes. 15 Q. Is it correct in your experience that people do 16 acreage value allocate -- pardon me -- acreage value 17 allocations for different reasons? 18 MR. FLEGLE: Objection; form. 19 A. Yes. 20 Q. (BY MR. BEITER) For instance, a buyer may have 21 one set of reasons and a seller may have another set of 22 reasons; is that fair? 23 A. That's fair. 24 Q. Have you ever seen people do value allocations 25 for purposes of -- for instance, title failures?</p>

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<p>1 A. Yes.</p> <p>2 Q. And -- and could you tell me what you've seen in</p> <p>3 that connection in terms of the workings of a purchase</p> <p>4 and sale agreement value allocations for title purposes?</p> <p>5 A. Well, just -- people could -- will assign a</p> <p>6 certain amount of money for certain title defects and,</p> <p>7 you know, if certain title defects are not cured or</p> <p>8 resolved, then that amount of money is either discounted</p> <p>9 off the final purchase price or other considerations.</p> <p>10 Q. So in that instance there is a relationship</p> <p>11 between the -- the value allocation and the amount paid</p> <p>12 for the cash consideration part of the purchase?</p> <p>13 A. Uh-huh.</p> <p>14 MR. FLEGLE: Objection --</p> <p>15 Q. (BY MR. BEITER) Is that right?</p> <p>16 A. That's right.</p> <p>17 MR. FLEGLE: Objection; form.</p> <p>18 Q. (BY MR. BEITER) Are you aware that people do</p> <p>19 allocations for federal tax purposes?</p> <p>20 A. That's not really something that -- I'm sure I'm</p> <p>21 aware of that, but that's not something that I'm</p> <p>22 familiar with.</p> <p>23 Q. All right. Now, are you familiar with Marubeni</p> <p>24 as a company?</p> <p>25 A. Not overly familiar with them as a global</p>	<p>1 and sale agreement, correct?</p> <p>2 A. Correct.</p> <p>3 MR. FLEGLE: Objection; form.</p> <p>4 Q. (BY MR. BEITER) And between that purchase and</p> <p>5 sale agreement and the schedule, should it define what</p> <p>6 the parties were buying and selling and what</p> <p>7 considerations were passing back and forth?</p> <p>8 MR. FLEGLE: Objection; form.</p> <p>9 A. I'm sorry. I lost my concentration. Could you</p> <p>10 repeat the question again?</p> <p>11 Q. (BY MR. BEITER) Sure. If I were going to try to</p> <p>12 determine all the considerations passing back and forth</p> <p>13 between the parties and the substance of the sales</p> <p>14 transaction, would I be able to do that by reference to</p> <p>15 the purchase and sale agreement in all of these</p> <p>16 schedules?</p> <p>17 MR. FLEGLE: Objection; form.</p> <p>18 A. I believe so.</p> <p>19 Q. (BY MR. BEITER) And just looking at Schedule 3</p> <p>20 in isolation, does that also tell me all of the</p> <p>21 considerations passing back and forth between the</p> <p>22 parties?</p> <p>23 A. No, it wouldn't.</p> <p>24 MR. FLEGLE: Objection; form.</p> <p>25 MR. BEITER: Just give me just a moment. I</p>
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<p>1 company, no, but just as a day-to-day operation or</p> <p>2 working with them as a partner I'm familiar.</p> <p>3 Q. Are they an oil and gas operations company?</p> <p>4 A. Not to my knowledge.</p> <p>5 Q. In your experience as a landman, is it correct in</p> <p>6 your experience to say that purchasers and sellers when</p> <p>7 they're buying and participating or selling acreage look</p> <p>8 at the amount being paid in the sale from different</p> <p>9 perspectives?</p> <p>10 A. I would agree with that.</p> <p>11 Q. That's a situation where the buyer wants to pay</p> <p>12 as little as possible and the seller wants to receive as</p> <p>13 much as possible; is that correct?</p> <p>14 A. Generally.</p> <p>15 Q. Do you have any understanding regarding</p> <p>16 Marubeni's evaluation of the value of Hunt's operational</p> <p>17 expertise when it was valuing these properties?</p> <p>18 A. No, I don't. I don't have a -- I don't know what</p> <p>19 Marubeni's thoughts were as Hunt as an operator.</p> <p>20 Q. If we were going to find those thoughts, we would</p> <p>21 do best to look at something that was a statement or</p> <p>22 testimony from Marubeni directly?</p> <p>23 A. I would agree with that.</p> <p>24 Q. Now, I'm assuming that these allocation schedules</p> <p>25 were attached to a -- a much larger document purchase</p>	<p>1 just want to review here.</p> <p>2 Q. (BY MR. BEITER) The discussion earlier we had</p> <p>3 about Mr. Tompkins and your frustration at the pace of</p> <p>4 his responses, do you have any reason to believe that</p> <p>5 that caused any wells not to be drilled?</p> <p>6 A. No.</p> <p>7 Q. Did it resolve to end any lost opportunities</p> <p>8 either for Hunt or for STS based upon your knowledge?</p> <p>9 A. No.</p> <p>10 Q. The deals ultimately got done at least as the</p> <p>11 parties negotiated them?</p> <p>12 A. Ultimately, yes.</p> <p>13 Q. And were the deals in your experience mutually</p> <p>14 beneficial to Hunt and to STS as they were done?</p> <p>15 MR. FLEGLE: Objection; form.</p> <p>16 A. I -- I would say that, yeah, the amendments that</p> <p>17 we created were mutually beneficial and -- and they were</p> <p>18 done not outside the bounds of what's common industry</p> <p>19 standard.</p> <p>20 MR. BEITER: Mr. Osborn, thank you very</p> <p>21 much. Those are all my questions for now.</p> <p>22 MR. FLEGLE: If -- if I might. Just a few</p> <p>23 follow-up questions.</p> <p>24 REEXAMINATION</p> <p>25 BY MR. FLEGLE:</p>


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<p>1 Q. You were asked a bunch of questions about the</p> <p>2 purchase and sale agreement with Marubeni Exhibits 829</p> <p>3 and 830. Just so I'm clear, have you ever seen the</p> <p>4 purchase and sale agreement from Marubeni?</p> <p>5 A. I've seen it, but I'll -- I'll be honest I have</p> <p>6 not reviewed the entire agreement with a fine tooth comb</p> <p>7 and it's a very long document. I was not part of the</p> <p>8 negotiation or the construction of it. I have to refer</p> <p>9 to it from time to time and certain provisions of it,</p> <p>10 but if you were asking specific questions about the</p> <p>11 agreement in detail, I'm probably not the best person to</p> <p>12 ask.</p> <p>13 Q. Right. Then the schedules on Exhibit 830 are</p> <p>14 schedules that came from documents produced by JP Morgan</p> <p>15 and the pages on those schedules are sequentially</p> <p>16 numbered from 131009 to 131026. Do you have any idea of</p> <p>17 why these schedules were given to JP Morgan and</p> <p>18 maintained in this fashion?</p> <p>19 A. I don't.</p> <p>20 Q. You were asked some questions while ago about the</p> <p>21 disappointment that Hunt Oil had in its first wells and</p> <p>22 how the azimuth was changed on the wells and other</p> <p>23 things, right?</p> <p>24 A. Correct.</p> <p>25 Q. And as a result of changing the azimuth and</p>	<p>1 Q. (BY MR. FLEGLE) Then I wanted to go back to</p> <p>2 brief questions about the amendments in August of 2012.</p> <p>3 Just so we're on the same page, the four amendments --</p> <p>4 well, the three amendments that we looked at covered all</p> <p>5 four of the leases; did they not?</p> <p>6 A. They did.</p> <p>7 Q. So there was one lease that's got 4,888 acres,</p> <p>8 one lease that's got 3,094 acres, one lease that I</p> <p>9 believe had something in the range of 1700 acres and one</p> <p>10 lease that's in the 683 acres?</p> <p>11 A. Correct.</p> <p>12 Q. Which totals somewhere around 10,000 acres,</p> <p>13 right?</p> <p>14 A. Correct.</p> <p>15 Q. Now, did anybody including Mr. Tompkins talk with</p> <p>16 you about how he pitched these lease amendments to the</p> <p>17 internal lease review committee at JP Morgan for</p> <p>18 approval?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. He was -- he has not made me privy to how he</p> <p>21 presented our proposals to their committee.</p> <p>22 Q. (BY MR. FLEGLE) Do you remember him saying that</p> <p>23 he was going to tell the committee that the proposed</p> <p>24 bonus per acre for these four lease amendments was \$700</p> <p>25 an acre?</p>
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<p>1 looking at microseismic and changing the frac</p> <p>2 techniques, did I hear that the wells that Hunt Oil has</p> <p>3 drilled have been much better?</p> <p>4 A. To my understanding well performance has improved</p> <p>5 since those techniques were introduced.</p> <p>6 Q. And when were those techniques introduced, in</p> <p>7 2012?</p> <p>8 A. Yes.</p> <p>9 Q. And those techniques were being used in early</p> <p>10 2013?</p> <p>11 A. Yes.</p> <p>12 Q. And do you know whether anybody shared with Ryder</p> <p>13 Scott these techniques and these much better results in</p> <p>14 early 2013?</p> <p>15 A. No. I do not know the answer to that.</p> <p>16 Q. Did anybody from JP Morgan, now that we've talked</p> <p>17 about this inquire of Hunt Oil, how are your wells</p> <p>18 doing, have you changed anything, are they doing like</p> <p>19 they did before you changed the azimuth, looked at the</p> <p>20 microseismic and changed the frac techniques?</p> <p>21 MR. BEITER: Objection; form.</p> <p>22 A. Well, JP Morgan receives drilling reports,</p> <p>23 completion reports and they see the design of our wells</p> <p>24 prior to them being drilled as a general rule. So I</p> <p>25 would assume that JP Morgan has that information.</p>	<p>1 MR. BEITER: Objection; form.</p> <p>2 Q. (BY MR. FLEGLE) Do you remember him ever saying</p> <p>3 that to you?</p> <p>4 MR. BEITER: Objection; form.</p> <p>5 A. I don't remember him specifically -- was your</p> <p>6 question did he tell me that he was going to tell the</p> <p>7 committee --</p> <p>8 Q. (BY MR. FLEGLE) Yeah, let me just --</p> <p>9 A. -- that it was \$700 an acre?</p> <p>10 Q. Yeah, let me just get it again. Did -- did he</p> <p>11 tell you at any point in time that he was submitting a</p> <p>12 lease summary form for approval by an internal JP Morgan</p> <p>13 committee with his signature on it that said the</p> <p>14 proposed bonus per acre was \$700 per acre for those four</p> <p>15 amendments?</p> <p>16 MR. BEITER: Objection; form.</p> <p>17 A. No. He did not tell me that.</p> <p>18 Q. (BY MR. FLEGLE) Or did he tell you that he was</p> <p>19 going to tell the committee that the proposed bonus acre</p> <p>20 \$700 number was to be applied on only part of the</p> <p>21 acreage that was the subject of the four amendments?</p> <p>22 MR. BEITER: Objection; form.</p> <p>23 A. He -- he never mentioned what he was proposing to</p> <p>24 his committee as regarding compensation.</p> <p>25 Q. (BY MR. FLEGLE) And you know earlier I mentioned</p>

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<p>1 -- I asked you whether you had been -- or heard anything</p> <p>2 about Lazard, and I believe you never talked to Lazard</p> <p>3 about South Texas Syndicate, right?</p> <p>4 A. That's right.</p> <p>5 Q. Do you remember in the discussions about the</p> <p>6 bonus payments for these amendments in August 2012</p> <p>7 whether or not Mr. Tompkins shared with you that JP</p> <p>8 Morgan had a market study from Lazard and Company which</p> <p>9 talked about bonus terms for leases and had values</p> <p>10 ranging from 1700 to \$5,000 an acre in it?</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 A. No. I don't recall him ever telling me about a</p> <p>13 market value study.</p> <p>14 Q. (BY MR. FLEGLE) A market value study that</p> <p>15 applied as of 2012, no?</p> <p>16 MR. BEITER: Objection; form.</p> <p>17 A. No.</p> <p>18 Q. (BY MR. FLEGLE) And -- and from your view in</p> <p>19 terms of the discussions leading up to the August 2012</p> <p>20 amendments, there was no question in your mind that --</p> <p>21 that JP Morgan and its lawyers at Jackson Walker knew</p> <p>22 that the Marubeni deal had been concluded in early 2012?</p> <p>23 MR. BEITER: Objection; form.</p> <p>24 A. Yeah, they -- I would assume that they would have</p> <p>25 known about the Marubeni deal.</p>	<p>1 A. We -- we had options. We could have dropped the</p> <p>2 leases and not drilled any more wells or we, as I said</p> <p>3 before, could have just without analyzing our data</p> <p>4 drilled wells as we had been drilling them before, which</p> <p>5 in our view, to my understanding, our opinion was that</p> <p>6 they were not as successful as we had hoped.</p> <p>7 MR. BEITER: Thank you, Mr. Osborn.</p> <p>8 THE WITNESS: Thank you.</p> <p>9 MR. FLEGLE: Have a good weekend.</p> <p>10 THE WITNESS: You too.</p> <p>11 THE VIDEOGRAPHER: Off the record at</p> <p>12 3:00 p.m.</p> <p>13 (Deposition concluded at 3:00 p.m.)</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1 MR. FLEGLE: I don't have any further</p> <p>2 questions. Thanks for your time.</p> <p>3 THE WITNESS: Sure.</p> <p>4 MR. BEITER: Sorry, but just one more --</p> <p>5 THE WITNESS: Sure.</p> <p>6 MR. BEITER: -- follow-up.</p> <p>7 REEXAMINATION</p> <p>8 BY MR. BEITER:</p> <p>9 Q. I want to make sure that we're talking about the</p> <p>10 same set of -- of extensions and amendments. In August</p> <p>11 of 2012 when you were working on these extensions, was</p> <p>12 it correct that Hunt had options other than to pay for</p> <p>13 these amendments?</p> <p>14 A. We did have options.</p> <p>15 Q. It could have continued operator -- operating</p> <p>16 under its agreements unamended; is that right?</p> <p>17 A. We could have.</p> <p>18 Q. And in that case it would not have paid JP Morgan</p> <p>19 anything for the amendments, would it?</p> <p>20 A. That's correct.</p> <p>21 Q. There wouldn't have been \$3 million going to the</p> <p>22 trust for the amendments that ultimately resulted in</p> <p>23 your view in Hunt being able to improve the quality of</p> <p>24 its wells?</p> <p>25 MR. FLEGLE: Objection; form.</p>	<p>1 CHANGES AND SIGNATURE</p> <p>2 WITNESS NAME: BILL OSBORN DATE: JANUARY 24, 2014</p> <p>3 PAGE LINE CHANGE REASON</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<p>1 I, BILL OSBORN, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5</p> <p>6 _____</p> <p>7 BILL OSBORN</p> <p>8</p> <p>9</p> <p>10 THE STATE OF _____)</p> <p>11 COUNTY OF _____)</p> <p>12</p> <p>13 Before me, _____, on this day</p> <p>14 personally appeared BILL OSBORN, known to me (or proved</p> <p>15 to me under oath or through _____</p> <p>16 (description of identity card or other document) to be</p> <p>17 the person whose name is subscribed to the foregoing</p> <p>18 instrument and acknowledged to me that they executed the</p> <p>19 same for the purposes and consideration therein</p> <p>20 expressed.</p> <p>21 Given under my hand and seal of office this</p> <p>22 _____ day of _____,</p> <p>23</p> <p>24 NOTARY PUBLIC IN AND FOR</p> <p>25 THE STATE OF _____</p> <p>COMMISSION EXPIRES: _____</p>	<p>1 That pursuant to information given to the</p> <p>2 Deposition officer at the time said testimony was taken,</p> <p>3 the following includes counsel for all parties of</p> <p>4 record:</p> <p>5 MR. JIM L. FLEGLE, Attorney for Plaintiffs;</p> <p>6 MR. KEVIN M. BEITER, Attorney for Defendants;</p> <p>7 (JP MORGAN CHASE BANK)</p> <p>8 MR. JACOB M. DAVIDSON, Attorney for Witness.</p> <p>9</p> <p>10 I further certify that I am neither counsel for,</p> <p>11 related to, nor employed by any of the parties or</p> <p>12 attorneys in the action in which this proceeding was</p> <p>13 taken, and further that I am not financially or</p> <p>14 otherwise interested in the outcome of the action.</p> <p>15 Further certification requirements pursuant to Rule</p> <p>16 203 of TRCP will be certified to after they have</p> <p>17 occurred.</p> <p>18 Certified to by me this 4th day of February,</p> <p>19</p> <p>20  Lei Sherra Torrence, CSR Texas CSR No. 7836 Expiration Date: 12/31/2014 Firm Registration No. 631 Kim Tindall & Associates, LLC 645 Lockhill Selma, Suite 200 San Antonio, Texas 78216 (210) 697-3400 (210) 697-3408 (Fax)</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
<p>Page 143</p> <p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL.,) IN THE DISTRICT COURT</p> <p>3 Plaintiffs,)</p> <p>4 VS.) 225TH JUDICIAL DISTRICT</p> <p>5)</p> <p>6 JP MORGAN CHASE BANK, N.A.)</p> <p>7 INDIVIDUALLY/CORPORATELY)</p> <p>8 AND AS TRUSTEE OF THE)</p> <p>9 SOUTH TEXAS SYNDICATE)</p> <p>10 TRUST and GARY P. AYMES,)</p> <p>11 Defendants.) BEXAR COUNTY, TEXAS</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>Page 145</p> <p>1 FURTHER CERTIFICATION UNDER RULE 203 TRCP</p> <p>2 The original deposition was/was not returned to the</p> <p>3 deposition officer on _____;</p> <p>4 If returned, the attached Changes and Signature page</p> <p>5 contains any changes and the reasons therefor;</p> <p>6 If returned, the original deposition was delivered to</p> <p>7 Mr. Jim L. Flegle, Custodial Attorney;</p> <p>8 That \$_____ is the deposition officer's charges</p> <p>9 to the Plaintiffs for preparing the original deposition</p> <p>10 transcript and any copies of exhibits;</p> <p>11 That the deposition was delivered in accordance with</p> <p>12 Rule 203.3, and that a copy of this certificate was</p> <p>13 served on all parties shown herein on and filed with the</p> <p>14 Clerk.</p> <p>15 Certified to by me this _____ day of</p> <p>16 _____, 2014.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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Transcript of the Testimony of
Richard Stoneburner

Date:

February 4, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

RICHARD STONEBURNER

February 4, 2014

ORAL VIDEOTAPED DEPOSITION OF RICHARD
STONEBURNER, produced as a witness at the instance of
the Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on February 4, 2014,
from 8:46 a.m. to 12:28 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Pinebrook Partners, 1301 McKinney,
Suite 3550, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

Page 2	Page 4
<p>1 APPEARANCES</p> <p>2</p> <p>3 FOR DEFENDANTS:</p> <p>4 KEVIN BEITER, ESQ.</p> <p>5 HORNBERGER SHEEHAN FULLER BETTER WITTENBERG & GARZA</p> <p>6 7373 Broadway</p> <p>7 Suite 300</p> <p>8 San Antonio, Texas 78209</p> <p>9 Telephone: 210-271-1731</p> <p>10 Fax: 210-271-1730</p> <p>11 E-mail: kbeiter@hsfblaw.com</p> <p>12</p> <p>13 FOR PLAINTIFF:</p> <p>14 JIM L. FLEGLE, ESQ.</p> <p>15 LOEWINSOHN FLEGLE DEARY</p> <p>16 12377 Merit Drive</p> <p>17 Suite 900</p> <p>18 Dallas, Texas 75251</p> <p>19 Telephone: 214-572-1701</p> <p>20 Fax: 214-572-1717</p> <p>21 E-mail: jimf@LFDlaw.com</p> <p>22 FOR THE WITNESS AND PETROHAWK ENERGY:</p> <p>23 EUGENE NETTLES, ESQ.</p> <p>24 PORTER & HEDGES</p> <p>25 1000 Main Street</p> <p>36th Floor</p> <p>Houston, Texas 77002</p> <p>Telephone: 713-226-6000</p> <p>Fax: 713-228-1331</p> <p>E-mail: emnettles@porterhedges.com</p> <p>ALSO PRESENT:</p> <p>Terry Harrison, Videographer</p> <p>Susan P. Kravik</p>	<p>1 VIDEOGRAPHER: Today is February 4th,</p> <p>2 2013. We are on the record at 8:46.</p> <p>3 RICHARD STONEBURNER,</p> <p>4 having been first duly sworn, testified as follows:</p> <p>5 EXAMINATION</p> <p>6 Q. (BY MR. FLEGLE) Would you please state your</p> <p>7 name?</p> <p>8 A. Richard Kely Stoneburner.</p> <p>9 Q. How are you currently employed?</p> <p>10 A. I have various advisory positions. I'm a</p> <p>11 senior advisor with Pinebrook Partners, which is</p> <p>12 where we're located today, on the board of Newfield</p> <p>13 Exploration, the board of Yuma Exploration, and the</p> <p>14 board of Cub Energy.</p> <p>15 MR. NETTLES: Excuse me, Jim. We</p> <p>16 didn't do the announcements, so I just want to make</p> <p>17 one statement on the record before we get too far</p> <p>18 along.</p> <p>19 MR. FLEGLE: Be my guest.</p> <p>20 MR. NETTLES: My name is Gene Nettles.</p> <p>21 I'm with the law firm of Porter & Hedges here in</p> <p>22 Houston, Texas, and I'm representing the witness</p> <p>23 along with Petrohawk entities to the extent that an</p> <p>24 issue of confidentiality or privilege may be</p> <p>25 involved, become an issue in the deposition. Thank</p>
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<p>1 INDEX</p> <p>2 PAGE</p> <p>3 RICHARD STONEBURNER</p> <p>4 Examination by Mr. Flegle4</p> <p>5 Court Reporter's Certificate99</p> <p>6</p> <p>7 EXHIBITS</p> <p>8 NO. DESCRIPTION PAGE</p> <p>9 858 2008 Earnings Call Transcript 64</p> <p>10 859 Publication 3/10/10 71</p> <p>11 860 Conference Call 2/2010 73</p> <p>12 861 Article 2/25/11 76</p> <p>13 862 Article - Marsh 2011 78</p> <p>14 863 Article 8/6/13 80</p> <p>15 864 Schedule 14A 82</p> <p>16 865 Presentation 85</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 you.</p> <p>2 Q. (BY MR. FLEGLE) Okay. Thank you. Let's go</p> <p>3 back over your advisory positions.</p> <p>4 Pinebrook Partners, what is its --</p> <p>5 A. Private equity firm located in New York,</p> <p>6 does oil and goes investments along with financial</p> <p>7 service investments.</p> <p>8 Q. And what business is Newfield in?</p> <p>9 A. Oil and gas exploration, domestic.</p> <p>10 Q. And the other two? I didn't get them.</p> <p>11 A. Yuma Exploration, Y-U-M-A. Again, domestic</p> <p>12 onshore. And Cub, C-U-B, Energy is international</p> <p>13 E&P, exploration and production.</p> <p>14 Q. And, again, Cub is in oil and goes?</p> <p>15 A. Yes.</p> <p>16 Q. Are any of these companies where you're on</p> <p>17 the -- where you're acting as an advisor in the</p> <p>18 exploration and production side of the Eagle Ford</p> <p>19 shale in south Texas?</p> <p>20 A. Newfield has a relatively minor position in</p> <p>21 the Eagle Ford. It's over in the Maverick Basin.</p> <p>22 Q. Now, at some point in time you were</p> <p>23 employed by a company called Petrohawk Exploration,</p> <p>24 were you not?</p> <p>25 A. Petrohawk Energy.</p>

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<p style="text-align: right;">Page 6</p> <p>1 Q. Petrohawk Energy. How -- from when to when</p> <p>2 were you with Petrohawk Energy?</p> <p>3 A. I was with it from inception, which was in</p> <p>4 July of 2003, until the merger in August 2011, merger</p> <p>5 with BHP.</p> <p>6 Q. And from July, 2003 forward could you take</p> <p>7 me through the various positions that you held at</p> <p>8 Petrohawk Energy?</p> <p>9 A. Yeah, best I can recall. I'm a geologist</p> <p>10 by degree. So, I was the exploration manager at the</p> <p>11 outset. I was probably vice president of exploration</p> <p>12 at that time. I was then promoted to executive</p> <p>13 vice president of exploration probably in the 2004 or</p> <p>14 five time frame. In 2007 I was promoted to chief</p> <p>15 operating officer. In 2009 I was promoted to</p> <p>16 president and chief operating officer.</p> <p>17 Q. Now, you say you're a geologist by</p> <p>18 background. Tell us just a little bit about your</p> <p>19 education.</p> <p>20 A. I received a bachelor of science degree</p> <p>21 from the University of Texas at Austin in 1976 and a</p> <p>22 master of science degree from Wichita State</p> <p>23 University in 1982.</p> <p>24 Q. When your position changed at Petrohawk</p> <p>25 Energy in 2007 to chief operating officer, what</p>	<p style="text-align: right;">Page 8</p> <p>1 throughout the 2008 year?</p> <p>2 A. Yes.</p> <p>3 Q. Now, there was another person that we've</p> <p>4 heard about that worked with Mr. Cusak. Stan Caddou?</p> <p>5 A. Caddou, Caddou, yeah.</p> <p>6 Q. Did Mr. Caddou report to you either</p> <p>7 directly or indirectly?</p> <p>8 A. I guess you would say indirectly. He</p> <p>9 reported through the land function, which reported up</p> <p>10 to Charles then reported up through me. So, I guess</p> <p>11 you could say indirectly he did.</p> <p>12 Q. And when you say "the land function,"</p> <p>13 that's the function that landmen at Petrohawk Energy</p> <p>14 dispatched?</p> <p>15 A. Correct.</p> <p>16 Q. And by "land function," that was the</p> <p>17 function of going out and trying to locate and secure</p> <p>18 lease interests in mineral acres?</p> <p>19 A. Among others, but yes. The primary role</p> <p>20 would have been to acquire the leases and then</p> <p>21 administer the leases as we dispense with them with</p> <p>22 drilling and production.</p> <p>23 Q. And by either education or experience do</p> <p>24 you consider yourself someone who could handle the</p> <p>25 land function?</p>
<p style="text-align: right;">Page 7</p> <p>1 responsibilities did you take over then?</p> <p>2 A. It's really all the operations of the</p> <p>3 company. When I say "operations," it's the drilling,</p> <p>4 completion, production of all of our properties. I</p> <p>5 still -- by virtue of my previous position as</p> <p>6 executive vice president exploration, I didn't</p> <p>7 necessarily abandon, if you will, my exploration</p> <p>8 roots. So, I did stay involved in the exploration</p> <p>9 working with Charles Cusak, who became vice president</p> <p>10 of exploration upon my assignment of chief operating</p> <p>11 officer.</p> <p>12 Q. Now, you mentioned Mr. Cusak. Did</p> <p>13 Mr. Cusak report to you while he was employed at</p> <p>14 Petrohawk Energy?</p> <p>15 A. He did.</p> <p>16 Q. And what was Mr. Cusak's role?</p> <p>17 A. Like I said, when -- well, prior to my</p> <p>18 becoming chief operating officer, he was working as</p> <p>19 kind of a co-exploration manager with an individual</p> <p>20 by the name of Cliff Foss. Cliff came from our KCS</p> <p>21 Energy merger in 2006. When we sold our Gulf Coast</p> <p>22 assets in 2008, Charles assumed the role of</p> <p>23 exploration manager for the company and reported to</p> <p>24 me directly at that time.</p> <p>25 Q. And did Mr. Cusak report directly to you</p>	<p style="text-align: right;">Page 9</p> <p>1 A. I would clarify "handle."</p> <p>2 Q. Okay. That's -- that's fair. Let me ask</p> <p>3 again.</p> <p>4 Was part of your role at Petrohawk</p> <p>5 Energy to dispatch the land function?</p> <p>6 A. Again, I don't think I would use the word</p> <p>7 "dispatch." I -- I oversaw.</p> <p>8 Q. Okay.</p> <p>9 A. And would advise when appropriate if I had</p> <p>10 an opinion on what should be done and how it should</p> <p>11 be done. But, again, it was a fairly indirect</p> <p>12 reporting process. I did not micro-manage people</p> <p>13 and, therefore, I would not have gone down to the</p> <p>14 level of Stan or his level of employee.</p> <p>15 Q. Okay. So, for example, if Mister -- if</p> <p>16 Stan Caddou had an issue, you generally would expect</p> <p>17 him to work that out with Charles Cusak?</p> <p>18 A. Or his immediate land supervisor.</p> <p>19 Q. Okay. And during 2008, his immediate</p> <p>20 supervisor was whom?</p> <p>21 A. Howard Isbell was hired sometime right in</p> <p>22 the midst of our Eagle Ford efforts and became land</p> <p>23 manager and Stan reported to him. Prior to Howard, I</p> <p>24 honestly can't recall who was the land manager.</p> <p>25 Q. Now, when Mr. Isbell was hired in 2008, was</p>

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<p style="text-align: right;">Page 10</p> <p>1 he somebody that you had previously had experience 2 with? 3 A. I did. Primarily as a friend. I went to 4 college with Howard, was a fraternity brother with 5 Howard. I knew of him professionally. And so, I 6 definitely vouched for his professional abilities, 7 but I also knew him as a long-time friend. 8 Q. And was Mr. Isbell in 2008 when he came 9 aboard at Petrohawk Energy responsible for activities 10 in the Eagle Ford play? 11 A. He was. 12 Q. Let me get a couple of things established 13 as far as Petrohawk Energy. Petrohawk Energy, by 14 2007, was what we call a public company, wasn't it? 15 A. Oh, it was a public company in 2004. 16 Q. Okay. And by "public company," that means 17 it's got shareholders that are -- and its shares 18 trade on the Stock Exchange? 19 A. They do. New York Stock Exchange. 20 Q. Okay. And as part of being a public 21 company, Petrohawk Energy was required to make 22 certain filings with the Securities Exchange 23 Commission. Right? 24 A. Correct. 25 Q. And did you participate in preparing the</p>	<p style="text-align: right;">Page 12</p> <p>1 shale in Arkansas, which quite honestly had very 2 little value. There was no production associated 3 with it. There had been a few wells drilled, but it 4 lacked infrastructure. So, there were no proved 5 reserves associated with that so we did not put any 6 focus on it. 7 In early 2007 we began completing 8 those wells and then drilling additional wells. And 9 by -- oh, I'll just call it mid 2007 -- Floyd Wilson, 10 our CEO, and -- along with the management team all 11 agreed that we needed to transform the company toward 12 these very repeatable and highly prolific resource 13 plays such as the Barnett and the Fayetteville at 14 that time. 15 So, we sold all of our Gulf Coast 16 assets in late 2007. We received about \$800 million 17 in funds from that transaction, and we redeployed 18 those funds initially into additional Fayetteville 19 acreage. And then again with the onset of the 20 Haynesville in late 2007 and the Eagle Ford in 2008 21 we continued to redeploy our available capital into 22 resource plays and continued to sell nonstrategic, 23 nonmaterial conventional assets. 24 Q. And this transformation of the company that 25 Mr. Wilson concluded needed to be done was something</p>
<p style="text-align: right;">Page 11</p> <p>1 filings that were made on behalf of Petrohawk Energy 2 with the Securities Exchange Commission? 3 A. Again, I -- I would read, comment on 4 certain filings, mainly the 10Q and the 10K. Most of 5 the other filings were financial in nature, but we 6 did have certain statements in our 10K and 10Q that 7 had operational components. So, yes. 8 Q. Right. And Petrohawk Energy did everything 9 it could to make sure that the statements that were 10 made in these filings -- the 10Qs, the 10Ks -- were 11 accurate and were accurate in disclosing to the 12 public the material information that needed to be 13 disclosed? 14 A. I believe so. 15 Q. Let me kind of peel back to 2007 with 16 Petrohawk Energy for a minute. 17 In 2007 did -- did Petrohawk make a 18 decision internally to change its focus and -- in how 19 it was going about exploration and production? 20 A. It did. 21 Q. And could you describe for us what that 22 change in business focus was from your perspective? 23 A. Yeah, I would -- I would date it back to 24 the merger with KCS Resources in 2006. Along with 25 that merger were some properties in the Fayetteville</p>	<p style="text-align: right;">Page 13</p> <p>1 that Petrohawk Energy disclosed and explained to the 2 public in 2007, didn't it? 3 A. I would think so, yes. I remember clearly 4 talking to people about it, whether -- it was 5 probably within the -- the K or the Q, but I 6 certainly remember espousing the strategy to analysts 7 and -- and those that were following the company. It 8 was not something we did without sharing our 9 philosophy and strategy with the public. 10 Q. Right. And -- and from your perspective it 11 was pretty clear at the end of 2007 that Petrohawk 12 Energy was focusing on unconventional shale plays? 13 A. Absolutely. 14 Q. And they were onshore? 15 A. Yes, yep. 16 Q. And if somebody wanted to follow Petrohawk 17 Energy, just look them up in the analysts or look 18 them up in the disclosures that Petrohawk was making 19 to the public. They could find that Petrohawk was 20 focusing on unconventional shale plays? 21 A. Correct. 22 Q. Now, when you mentioned these -- the change 23 in the focus a minute ago, you used the terms "highly 24 repeatable and prolific." 25 What do you mean by those terms?</p>

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<p style="text-align: right;">Page 14</p> <p>1 A. I mean that once discovered as a commercial 2 reservoir, they -- many of them proved to be very 3 economic and very repeatable. Very large -- by 4 definition, shale reservoirs cover a large area. And 5 so, once one had identified the core area of that 6 shale play and identified and validated its 7 commercial capabilities, then they were very, very 8 valuable resources and assets to own. 9 Q. And in this case we've heard a lot about a 10 shale play called the Eagle Ford in south Texas and, 11 of course, Petrohawk Energy had a role in the Eagle 12 Ford, did it not? 13 A. It did. 14 Q. In terms of what you learned and Petrohawk 15 Energy learned about the Eagle Ford, was the Eagle 16 Ford one of those highly repeatable and prolific 17 shale plays? 18 MR. BEITER: Objection. Form. 19 A. It became one. 20 Q. (BY MR. FLEGLE) And it -- that point of -- 21 and when you say "it became one," can you kind of 22 tell us what you mean by timing from that standpoint, 23 how and when? 24 A. Well, I think you know the discovery was 25 announced in October of 2008 and we drilled two</p>	<p style="text-align: right;">Page 16</p> <p>1 MR. BEITER: Objection. Form. 2 MR. NETTLES: Same objection. 3 A. You know, again, widely known, major 4 player, those are kind of again subjective. We were 5 clearly involved heavily in the Fayetteville -- and 6 what time did you say? 7 Q. (BY MR. FLEGLE) 2008. 8 A. Beginning of? 9 Q. Yes, sir. 10 A. You know, not really. We didn't spud our 11 first Eagle Ford well until July of eight. We didn't 12 spud our first Haynesville well until March of '08. 13 All we really had was kind of a third-class position 14 in the Fayetteville. It was good, but it wasn't 15 Southwestern, it wasn't Chesapeake, which were the 16 two primary players. So, yes, we were known as -- 17 call it an up and comer, technically capable. We 18 were respected in that -- that manner, but were we 19 major? Were we widely known? I would say not. 20 Q. Let me take out the adjectives. 21 A. Okay. 22 Q. Let me ask it this way. After the change 23 in focus in 2007 when it was announced, it was 24 disclosed to the public that the focus for Petrohawk 25 Energy was going to be in shales. Right?</p>
<p style="text-align: right;">Page 15</p> <p>1 subsequent wells over the course of the last part of 2 2008, first quarter of 2009 and then -- you know, the 3 thing about shale plays because, as I mentioned, the 4 sheer size and aerial extent, the Eagle Ford covers 5 approximately 13 million acres, okay? So, we drilled 6 a well and a second well and a third well over the 7 course of six months. When did we know it was 8 repeatable and prolific? You know, sometime after 9 those first three wells but sometime before now. I 10 mean, I'm being facetious, but, you know, how many 11 wells does it take to have the confidence that it is 12 repeatable and it is prolific? More than three, less 13 than 50. 14 Q. Right. 15 A. And that's a very subjective statement. 16 There's nothing objective about it because it takes 17 time to understand what the ultimate resources in 18 that one given well, much less the aerial extent of 19 that repeatable resource. 20 Q. Since we've been talking about the Eagle 21 Ford -- well, I'll tell you what. Before we get 22 there -- scratch that. 23 Now, by 2008 is it fair to say that 24 Petrohawk Energy was widely known as being a major 25 player in shales?</p>	<p style="text-align: right;">Page 17</p> <p>1 A. Correct. 2 Q. And the focus that Petrohawk Energy 3 announced to the public was to include tight gas 4 development areas? 5 A. Shale. Tight gases are a little broad. 6 That could include sandstones or carbonates, as well. 7 Q. Got you. I appreciate the help. And would 8 it also have been known that Petrohawk Energy was 9 focusing on unconventional gas wells? 10 A. Yes. 11 Q. Including horizontal gas wells with 12 frac'ing? 13 A. Hydraulic fracture. I take offense at the 14 term frac'ing. 15 Q. I will clear up the record. And would 16 Petrohawk Energy's focus as it was sharing with the 17 public in 2008 include a focus on horizontal gas 18 wells with hydraulic fracturing? 19 A. Yes. 20 Q. And -- and the Haynesville shale wells that 21 Petrohawk Energy was drilling were horizontal with 22 hydraulic frac'ing, were they not? 23 A. They were. 24 Q. And the same for the Fayetteville shale 25 wells?</p>

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<p style="text-align: right;">Page 18</p> <p>1 A. Yes. I would add that aside from an area 2 of the Barnett and an area of the Marcellus there's 3 not a shale play alive that doesn't require 4 horizontal drilling and multi-stage hydraulic 5 fracturing. 6 Q. And let me stop there for just a minute and 7 focus on -- on the drilling for a second. 8 When Petrohawk Energy drilled the 9 first discovery well on the South Texas Syndicate 10 property in the -- the Eagle Ford, the expense of 11 that well was somewhere north of \$12 million, was it 12 not? 13 A. My recollection was 16. 14 Q. \$16 million? And what Petrohawk Energy 15 found after that first well is that the cost of 16 drilling additional wells went down dramatically, 17 didn't it? 18 A. It's a repeatable occurrence in shale 19 plays. Early wells were very expensive. You do use 20 a lot of science. You run operations -- and I won't 21 get into all of them that are unique -- to your 22 discovery wells and your initial appraisal wells that 23 increase the cost, plus you just get more 24 knowledgeable of how the wells are most effectively 25 and efficiently drilled. So, yes.</p>	<p style="text-align: right;">Page 20</p> <p>1 area or the Blackhawk area -- Hawkville area being 2 primarily the STS region, the Blackhawk area up in 3 DeWitt County primarily. Those were both at about 4 the same depth, about the same pressure. Those wells 5 in the 2009 time frame were probably costing nine to 6 \$10 and a half million, maybe nine to 11. 7 Q. And even at that point in time in 2009 with 8 the wells costing that, was it still Petrohawk 9 Energy's view that the Eagle Ford was a highly 10 repeatable and prolific play? 11 MR. BEITER: Objection. Form. 12 MR. NETTLES: Objection. Form. 13 A. Many areas of it certainly were. 14 Q. (BY MR. FLEGLE) Okay. Now, one of the 15 areas that we'll focus on a little bit today is 16 acreage on the South Texas Syndicate Trust interests. 17 Did Petrohawk Energy consider the 18 Eagle Ford as it occurred on South Texas Syndicate 19 Trust acreage highly repeatable and prolific? 20 MR. BEITER: Objection. Form. 21 MR. NETTLES: Objection. Form. 22 A. Again, not the entire acreage. And as time 23 wore on, we learned more about the nature of the rock 24 and the nature of the product, and both the rock and 25 the product changed to the point where in some areas</p>
<p style="text-align: right;">Page 19</p> <p>1 Q. As time went along while Petrohawk Energy 2 was pursuing the drilling of wells in the Eagle Ford, 3 Petrohawk Energy learned that an Eagle Ford well 4 could be drilled for \$4 and a half million? 5 A. Drilled and completed? 6 Q. Yes, sir. 7 A. No way. 8 Q. That hasn't been a number that you've seen? 9 A. No. Not even in the shallower -- your frac 10 job alone costs you about \$4 million. 11 Q. Okay. What -- in terms of a completion 12 number, what did you use as a rule of thumb in the 13 Eagle Ford? 14 MR. NETTLES: Objection. Form. 15 A. In -- am I supposed to ignore those? 16 MR. NETTLES: He's not telling you 17 whether it's 2008, 2009, 2010. So, it's vague. 18 Q. (BY MR. FLEGLE) That's fair. 19 A. I don't need to respond to it? 20 MR. NETTLES: No. I'm just making the 21 objection for the record. 22 Q. (BY MR. FLEGLE) By 2009, just -- 23 A. Yeah. I mean, again, it depends on where 24 you're drilling, but most all of our Eagle Ford 25 acreage, whether it be in what we call the Hawkville</p>	<p style="text-align: right;">Page 21</p> <p>1 where we were dry gas and deeper and rock quality had 2 become less -- lower quality. Some of those wells 3 were not commercial. By contrast, where the rock 4 quality was still good and the product mix provided 5 the best commodity price opportunity, then, yes, they 6 were highly prolific. 7 Q. (BY MR. FLEGLE) Now, at the time -- and 8 here again, I want to focus on the Eagle Ford 9 formation as it related to acreage Petrohawk had on 10 South Texas Syndicate interests. 11 As time went on into 2010 and 2011 12 before the transaction with BHT Billiton -- right? 13 A. BHP Billiton, correct. 14 Q. BHP Billiton. Was Petrohawk Energy still 15 pursuing drilling wells in the Eagle Ford on the 16 South Texas Syndicate interests? 17 A. Yes. 18 Q. And then after the transaction with BHP 19 Billiton you remained with BHP Billiton, did you not? 20 A. I did. 21 Q. And in what role did you remain at BHP 22 Billiton? 23 A. I was the president of the North American 24 shale production division of BHP Billiton Petroleum, 25 the longest title known to man.</p>

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Page 22	Page 24
<p>1 Q. And did that include responsibilities over 2 the Eagle Ford? 3 A. It did. 4 Q. And once the transaction with -- between 5 Petrohawk Energy and BHP Billiton occurred, did BHP 6 Billiton continue to develop and drill wells on the 7 South Texas Syndicate acreage? 8 A. Certainly through my tenure, which was the 9 end of 2012, but I would -- and, again, I -- some of 10 my knowledge of the well-by-well development became 11 more removed from my day-to-day responsibilities. 12 So, whether we had slowed down our development of 13 the -- of the syndicate's acreage at the time, I 14 would be a little bit uncertain as to the level of 15 activity. At that time it certainly had to do with 16 the product mix. I doubt very seriously we were 17 drilling any of the dry gas areas of the play unless 18 we were obligated to under continuous development. 19 At that time -- and call it mid 2012 -- we saw gas go 20 below \$2 a thousand. So, things were changing mainly 21 from a commodity price standpoint that most likely 22 caused us to rethink some of the development we might 23 have had a year or two earlier. 24 Q. You mentioned in your explanation there a 25 term that we've heard before, which is continuous</p>	<p>1 A. Well, we did with our conventional assets 2 before we sold them in 2007. 3 Q. When you say "conventional," are you 4 talking about vertical wells? 5 A. Generally speaking. Gulf Coast -- typical 6 Gulf Coast assets. 7 Q. Before the Eagle Ford activity, had 8 Petrohawk Energy had any unconventional activity in 9 south Texas? 10 A. No. 11 Q. Okay. What do you remember about when you 12 heard that there might be something going in the 13 Eagle Ford? 14 A. Well, I'll give you kind of a sequential 15 story, if you will. 16 Q. Please do. 17 A. We were working the Haynesville actively in 18 the second half of 2007 and became convinced that we 19 were going to be successful in that play even though 20 we were still three or five months away from drilling 21 our first well, and a directive -- if you want to 22 call it a directive -- request, demand -- from Floyd 23 to myself and then down through Charles was to "We 24 need to find another play. One's not enough." And 25 we agreed. So, the exploration staff began</p>
Page 23	Page 25
<p>1 development. 2 What is continuous development in your 3 understanding? 4 A. Well, there's -- a general description 5 would be a lease that required some level of 6 activity -- drilling activity and completion and 7 production activity -- beyond the primary term of the 8 lease. 9 Q. And if the lease required continuous 10 development, you as either BHP Billiton or Petrohawk 11 Energy would take that obligation, continuous 12 development, into consideration in determining 13 whether or not to drill a well on a particular acre? 14 A. Yes. 15 Q. And if the continuous development 16 requirement -- we won't go there. 17 Why don't we focus on Eagle Ford for 18 just a minute? What do you remember about the early 19 days when the possibility of an Eagle Ford play came 20 to your attention? 21 How -- how did you learn about it? 22 MR. NETTLES: Objection. Form. 23 Q. (BY MR. FLEGLE) Let me back up. Before 24 2008, did Petrohawk Energy have any activity in south 25 Texas?</p>	<p>1 considering where we would look. 2 Contemporaneous with that, a very good 3 friend of mine by the name of Greg Robertson who was 4 part of First Rock in Corpus -- I had known Greg 5 since the late Eighties. He's a fellow geologist. 6 We've done a lot of things together over the years, 7 and together we kind of hatched the -- the idea of 8 the Eagle Ford being a prospective shale resource 9 mainly because both of us had worked the -- what's 10 called the crustaceous trend of south Texas, which is 11 the Austin Chalk, the Buddah, the Georgetown sequence 12 of carbonate reservoirs that produce from pretty much 13 the Mexico border to -- all the way to the Louisiana 14 border into Louisiana. 15 So, anyway, we believed that the Eagle 16 Ford was prospective and, therefore, we set up a 17 relationship between his company and ours that if we 18 were to locate and acquire prospective Eagle Ford 19 acreage we would share it on a 90/10 basis -- 90 20 percent Petrohawk, 10 percent First Rock, et al, 21 which included an individual by the name of Burke 22 Edwards. EdCo, I think, was the name of his company 23 out of Austin. 24 So, that was presuming that we ended 25 up finding something of merit and then in January</p>

7 (Pages 22 to 25)

<p style="text-align: right;">Page 26</p> <p>1 that effort was undertaken.</p> <p>2 Q. That's January 2008?</p> <p>3 A. Correct.</p> <p>4 Q. And when you say "that effort was</p> <p>5 undertaken," what -- what did Petrohawk do starting</p> <p>6 in January of 2008 as it relates to the Eagle Ford?</p> <p>7 A. I'll use Petrohawk, et al, including Greg,</p> <p>8 and just call it that --</p> <p>9 Q. Sure.</p> <p>10 A. -- began doing geologic reconnaissance</p> <p>11 again across that same crustaceous trend that I</p> <p>12 referenced from the Sabine River to the Rio Grande</p> <p>13 River and looked at virtually every Eagle Ford</p> <p>14 penetration, meaning that every well that had</p> <p>15 penetrated the Eagle Ford. I'm exaggerating a bit,</p> <p>16 but we did an extensive analysis of the Eagle Ford</p> <p>17 from a geological and subsurface perspective and at</p> <p>18 that time focused in on the area of McMullen, a sale</p> <p>19 that became known as Hawkville field.</p> <p>20 Q. As part of this geological reconnaissance</p> <p>21 did Petrohawk Energy internally develop what was</p> <p>22 called a buy area?</p> <p>23 A. Eventually.</p> <p>24 Q. And a buy area means -- means what to you?</p> <p>25 A. Well, I'll define it in that this geologic</p>	<p style="text-align: right;">Page 28</p> <p>1 land reconnaissance standpoint.</p> <p>2 Q. And by "land reconnaissance," what does</p> <p>3 that mean?</p> <p>4 A. Go out and find out what's open.</p> <p>5 Q. And who internally at Petrohawk Energy or</p> <p>6 who externally did Petrohawk Energy use to do this</p> <p>7 land reconnaissance?</p> <p>8 A. Like I mentioned, Greg -- Greg is a</p> <p>9 geologist by training, but I would call it a jack of</p> <p>10 all trades by experience. Greg's been an independent</p> <p>11 all his life. He's done extensive land work, a lot</p> <p>12 of operational work. So, Greg kind of has knowledge</p> <p>13 of the entire spectrum of the business, much like</p> <p>14 myself. So, Greg and his associate, Robert Graham --</p> <p>15 Robert had done a lot of work with Greg over the</p> <p>16 years. I was -- I knew Robert just again because</p> <p>17 Greg and I had worked together for -- or worked in</p> <p>18 conjunction with each other in areas of common</p> <p>19 interest for 20 years. So, Robert was landman and</p> <p>20 then Burke Edwards, who I mentioned before with EdCo,</p> <p>21 was also a landman.</p> <p>22 So, we made the conscious decision,</p> <p>23 "These are our partners. These are capable guys that</p> <p>24 know south Texas, that have worked south Texas all</p> <p>25 their lives. It would behoove us to -- to employ</p>
<p style="text-align: right;">Page 27</p> <p>1 reconnaissance led us to a given area based upon</p> <p>2 petrophysical and geochemical data that we acquired,</p> <p>3 and then we acquired an extensive seismic database --</p> <p>4 existing 2D seismic that helped us define the area of</p> <p>5 thickest Eagle Ford development and that basically</p> <p>6 defined our buy area.</p> <p>7 Q. How early in 2008 do you recall a buy area</p> <p>8 being defined?</p> <p>9 A. A little bit evolutionary and a little bit</p> <p>10 uncertain as to a date, but I would call it -- call</p> <p>11 it March, end of the first quarter.</p> <p>12 Q. Now, as this buy area was evolving, did</p> <p>13 Petrohawk Energy also dispatch anyone to go looking</p> <p>14 to see what acreage was available to lease?</p> <p>15 A. Yeah. Again, eventually. I would say it</p> <p>16 was triggered about that same time. We felt like we</p> <p>17 had done all of the petrophysical and geochemical</p> <p>18 analysis that was available to us. I mean, there was</p> <p>19 a fairly uncontrolled area, meaning there hadn't been</p> <p>20 a lot of penetration into the Eagle Ford in this</p> <p>21 immediate area. So, we were pretty much at the end</p> <p>22 of our point of analysis. And so, yes, we then did</p> <p>23 define the buy area and began doing land</p> <p>24 reconnaissance at that point, willing to expend the</p> <p>25 capital at that point, albeit fairly nominal from a</p>	<p style="text-align: right;">Page 29</p> <p>1 them as opposed to our internal assets to do a lot of</p> <p>2 this land work."</p> <p>3 Q. And when Burke Edwards -- when you say</p> <p>4 "Greg," it was Greg Robertson?</p> <p>5 A. Correct.</p> <p>6 Q. When Greg Robertson, Robert Graham, Burke</p> <p>7 Edwards went out to do this land reconnaissance, when</p> <p>8 they started entering leases in the Eagle Ford did</p> <p>9 they enter the leases in the name of Petrohawk</p> <p>10 Energy?</p> <p>11 A. No.</p> <p>12 Q. And what name did they use, do you know?</p> <p>13 A. First Rock.</p> <p>14 Q. Was there any reason internally either at</p> <p>15 Petrohawk Energy or at First Rock to use the First</p> <p>16 Rock name instead of the Petrohawk Energy name?</p> <p>17 MR. BEITER: Objection. Form.</p> <p>18 A. You've already alluded to it. Petrohawk,</p> <p>19 while we weren't the Chesapeake of the world, we were</p> <p>20 a prominent shale player, becoming more so. So, we</p> <p>21 felt like it would be to our competitive advantage</p> <p>22 not to have Petrohawk's name on -- and I would say</p> <p>23 these broader spectrum of leases. Not the STS, but I</p> <p>24 would say the broader spectrum of leases that, number</p> <p>25 one, we felt like Greg and Robert and to some extent</p>

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<p style="text-align: right;">Page 30</p> <p>1 Burke would be more effective and therefore just take 2 them in their own name. It becomes less -- to the 3 lessor it becomes a cleaner operation and it gives us 4 the advantage of not creating a competitive situation 5 with Petrohawk potentially. 6 Q. (BY MR. FLEGLE) And when you're talking 7 about not creating the competitive situation for 8 Petrohawk potentially, you're talking about it makes 9 it -- well, let me start again. 10 When you say it would be to Petrohawk 11 Energy's competitive advantage to use First Rock, 12 another way of saying that is it allows the leases to 13 be purchased without having to compete against other 14 shale players for the acreage? 15 MR. BEITER: Objection. Form. 16 MR. NETTLES: Same objection. 17 Q. (BY MR. FLEGLE) Is that basically -- 18 A. I would use the term "lease busters" is 19 something we were trying to avoid. It's widely 20 known -- and it has been since the days of H.L. Hunt 21 in east Texas -- that, you know, you follow people 22 around that have had success. You may not even have 23 a concept of what the heck are doing, but because 24 these guys are doing it there's got to be something 25 good. And we follow them around and they end up</p>	<p style="text-align: right;">Page 32</p> <p>1 were extremely large, the wells were very attractive, 2 and it became competitive -- very competitive 3 post-discovery. In this case we're talking 4 pre-discovery, I think. 5 Q. (BY MR. FLEGLE) Now, when you mentioned 6 that it was to Petrohawk Energy's competitive 7 advantage to use First Rock, you said "but not on the 8 South Texas Syndicate leases." 9 What was different about the South 10 Texas Syndicate leases in your view? 11 A. Well, you had a professional organization 12 that was managing this asset, and they have been 13 doing this for decades. They were going to be a 14 different type of partner -- and I use lessor/lessee 15 as a partner, and it clearly is. 16 So, we felt as though that being 17 up-front with them, number one, didn't have the same 18 risk of divulging our intent to the public as it 19 would have if we were out talking to, you know, Joe 20 Rancher that goes down to the coffee shop and then 21 starts talking. 22 So, we felt as though it was a risk 23 that was appropriate considering the professional 24 nature of those that were managing the trust. And 25 not to mention that, you know, when you have a lessor</p>
<p style="text-align: right;">Page 31</p> <p>1 busting your lease by buying leases that you are 2 trying to acquire. 3 Q. Got you. And the end result of this 4 following people around is that the cost of entering 5 leases with -- with mineral interest owners generally 6 goes up? 7 MR. BEITER: Objection. Form. 8 MR. NETTLES: Same objection. 9 A. I don't know that that necessarily is the 10 case. It could, but it's really just to avoid -- 11 with competition you do tend to have the opportunity 12 for higher prices. But in this case, I don't know if 13 that would have been the case. 14 Q. (BY MR. FLEGLE) Right. Well, we do know 15 historically from your experience in the Eagle Ford 16 after the first discovery well was drilled the 17 prices -- the bonus payments for leases that were 18 negotiated subsequent to the first well went up? 19 MR. BEITER: Objection. Form. 20 MR. NETTLES: Objection. Form. 21 A. Like I said, after discovery that typically 22 happens. It happens in a very different pace. I'll 23 use the Haynesville by example. The Haynesville 24 became extremely competitive. It was in a period of 25 time that Chesapeake was very active, that the rates</p>	<p style="text-align: right;">Page 33</p> <p>1 of this experience and capabilities you'll probably 2 have a consent to assign provision within the lease. 3 If you took it in First Rock, you would have to get 4 consent to sign into Petrohawk. 5 So, there were a lot of compelling 6 reasons that we felt like it was a risk worth taking 7 to acknowledge to the syndicate that -- or to the JP 8 Morgan folks -- however you want to call them -- that 9 it was Petrohawk indeed. 10 Q. Do you know who at JP Morgan Petrohawk 11 Energy communicated with for purposes of the South 12 Texas Syndicate leases? 13 A. I do, and I will begin this answer by a lot 14 of this is only by recollection through the 15 depositions of Charles Cusak and Stan Caddou because 16 I had very, very little, if any, interaction with the 17 individuals until we had made the discovery. But, 18 yes, Patricia Ormond -- I think is the way I would 19 pronounce her name -- is the main contact that 20 Charles and Stan were dealing with. 21 Q. How much contact did you personally have 22 with Patricia Ormond? 23 A. Pre-discovery, zero, to my recollection. 24 The only time I might have met her, again to my 25 recollection, was sometime in the, you know, first or</p>

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<p>1 second quarter of '09. We had a meeting in the 2 office of Petrohawk that was kind of an advisory 3 meeting to the group to let them now how we had our 4 development plan conceptualized, and there's a guy by 5 the name -- I think it was Bertram Hayes-Davis or 6 Davis-Hayes or something like that. I remember him, 7 and I think Patricia was there. I would be surprised 8 if she wasn't, but I don't really recall her 9 specifically. And there might have been somebody 10 else there. But that's the only meeting I ever had 11 that I can recall with anybody involved with -- with 12 JP Morgan. 13 Q. Thank you. 14 A. I need to go catch my call. 15 MR. FLEGLE: Yeah. We're off the 16 record. 17 VIDEOGRAPHER: Off the record. It's 18 9:29. 19 (Recess from 9:29 a.m. to 10:43 a.m.) 20 VIDEOGRAPHER: This is the beginning 21 of Tape No. 2. On the record. The time is 1043. 22 Q. (BY MR. FLEGLE) As chief operating officer 23 of Petrohawk Energy, were you aware of the financing 24 arrangements that Petrohawk Energy had in 2007 and 25 2008?</p>	<p>1 Credit Agreement dated as of July 12th, 2006." 2 A. Uh-huh. 3 Q. Were you aware in 2008 on or about early 4 February that there had been a -- an amendment to 5 this revolving credit agreement? 6 A. Not specifically. 7 Q. Were you aware that Petro -- 8 A. Put it that way, I don't recollect it. I 9 probably was aware of it, but I don't recollect it. 10 Q. Okay. And as part of this disclosure here 11 in the 10K, the disclosure says that the senior 12 revolving credit facility was increased from 13 \$675 million to a billion dollars. 14 Does that jog your memory on that 15 financial transaction that occurred in February 2008? 16 A. Yeah. We did it every year. It was just a 17 borrowing base re-determination. I would make 18 presentations from the bank group, request an 19 increase in the borrowing base, and we would increase 20 it most likely. 21 Q. And did you make presentations to the bank 22 group for this February 5, 2008 amendment? 23 A. Most likely. 24 Q. And what would those presentations entail? 25 A. Just cover the asset base, determine -- my</p>
Page 35	Page 37
<p>1 A. I think you could be more specific with 2 that question. 3 Q. Well, were you aware that there was a 4 senior revolving credit agreement that Petrohawk 5 Energy had with a group of banks? 6 A. Yes. 7 Q. And one of the banks in the group was JP 8 Morgan? 9 A. If you say so. 10 Q. Well, I'll tell you what. Let me show 11 you -- 12 A. I don't question you. There's about 25 of 13 them, so I wasn't familiar with all of them. 14 Q. Sure. Let me just show you what's 15 previously been marked in this case as Exhibit 598, 16 and I'll represent to you that that is the Form 10K 17 for Petrohawk Energy Corporation for the year ended 18 December 31, 2007, and let me turn your attention to 19 page -- I believe it's Page 79, which is clipped 20 there. 21 A. Right. 22 Q. And you see there is a disclosure that 23 effective February 5, 2008, "The company," which is 24 Petrohawk Energy, "entered into the Fifth Amendment 25 to Second Amended and Restated Senior Revolving</p>	<p>1 presentation was more geological in nature, 2 operational in nature, and then our head of reserve 3 engineering, Tina O'Boot would typically present to 4 the -- to the engineers the actual reserve report. 5 Q. At least in terms of the time that this 6 amendment that is disclosed in this Form 10K for the 7 year ended December 31, 2007 -- let me start again. 8 As of February 5, 2008, Petrohawk 9 Energy did not have anything to disclose regarding 10 the Eagle Ford as far as the asset base, did it? 11 A. No. 12 Q. And in terms of this disclosure that is in 13 the 10K that we're looking at, one of the banks that 14 is in the lender's group is JP Morgan Chase Bank, 15 N.A., is it not? 16 A. Yes. 17 Q. Now, was there anybody at JP Morgan Chase 18 Bank, N.A. that you had as a counterpart for purposes 19 of this credit facility? 20 A. I doubt it very seriously. There probably 21 was an engineer and a bank financial representative 22 present at these meetings. I can't recall who the JP 23 Morgan individuals were. I may get them on multiple 24 choice, but I can't recall. 25 Q. Did you actually have conversations with</p>

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<p style="text-align: right;">Page 38</p> <p>1 the JP Morgan representatives?</p> <p>2 A. Not to my recollection.</p> <p>3 Q. Now, once this -- and, by the way, was this</p> <p>4 Fifth Amendment to Second Amended and Restated Senior</p> <p>5 Revolving Credit Agreement, which is a long name</p> <p>6 there, the largest credit facility that Petrohawk</p> <p>7 Energy had at the time in February 2008?</p> <p>8 A. You know, it probably was, but I would add</p> <p>9 that we had dispensed with a lot of assets, as I</p> <p>10 mentioned before. We sold the Gulf Coast assets for</p> <p>11 \$800 million, and it's your proved reserve base that</p> <p>12 determines a borrowing base. So, I don't know that</p> <p>13 we could make that statement, you know, without</p> <p>14 reviewing the record.</p> <p>15 Q. Okay. If there were a larger credit</p> <p>16 facility that Petrohawk Energy had, you would expect</p> <p>17 that it would be disclosed in the 10K. Right?</p> <p>18 A. When -- when it did occur?</p> <p>19 Q. Right.</p> <p>20 A. I don't think we would have to necessarily</p> <p>21 disclose all those previous fourth, fifth, third,</p> <p>22 second -- like I said, we did it every year and</p> <p>23 sometimes more than once a year.</p> <p>24 Q. Right. And a transaction that has a value</p> <p>25 or a credit facility of a billion dollars is</p>	<p style="text-align: right;">Page 40</p> <p>1 the lenders that are here in this disclosure of the</p> <p>2 amendment to the revolving credit agreement?</p> <p>3 A. That's correct. If we owed them money, we</p> <p>4 wanted them to owe us money.</p> <p>5 Q. Do you remember why the credit agreement</p> <p>6 was up to a billion dollars as of February 5th, 2008?</p> <p>7 A. It would have had to have been an increase</p> <p>8 in the reserve base.</p> <p>9 Q. Did it have anything to do with what</p> <p>10 Mr. Caddou or Mr. Cusak could tell potential lessors</p> <p>11 about how much financial backing Petrohawk Energy had</p> <p>12 for the Eagle Ford play?</p> <p>13 MR. NETTLES: Objection. Form.</p> <p>14 A. Absolutely I don't believe so at all. I</p> <p>15 mean, this is a very standard event within a</p> <p>16 corporation to have a borrowing base relative to its</p> <p>17 proved reserve base. So, it had no bearing on our</p> <p>18 ongoing -- certainly our exploration activities.</p> <p>19 This was not an exploration budget. A very small</p> <p>20 component of our borrowing base would have been</p> <p>21 committed toward exploration capital, and this Eagle</p> <p>22 Ford at this time was clearly exploration capital.</p> <p>23 Q. (BY MR. FLEGLE) Do you recall any</p> <p>24 discussions with either Mr. Caddou or Mr. Cusak</p> <p>25 giving them permission to tell Patti Ormond at JP</p>
<p style="text-align: right;">Page 39</p> <p>1 something that would be considered material to</p> <p>2 Petrohawk Energy --</p> <p>3 MR. BEITER: Objection. Form.</p> <p>4 Q. (BY MR. FLEGLE) -- in its disclosures.</p> <p>5 Right?</p> <p>6 A. It was -- it was a part of our business</p> <p>7 certainly.</p> <p>8 Q. (BY MR. FLEGLE) Other than this Second</p> <p>9 Amended Restated Revolving Credit Agreement that</p> <p>10 we've been talking about that included JP Morgan, do</p> <p>11 you know whether or not Petrohawk Energy had any</p> <p>12 other financial contracts with JP Morgan in 2008?</p> <p>13 A. Not that I'm aware of.</p> <p>14 Q. And what I'm talking about are things like</p> <p>15 commodity swaps or derivatives.</p> <p>16 A. We could have. We did most all of our</p> <p>17 hedging within our bank group. So, that group --</p> <p>18 again, specifically JP Morgan, not necessarily. It</p> <p>19 was generally done with the lead bank, which is BNP</p> <p>20 Paribas. That's not to say that JP Morgan might have</p> <p>21 had some exposure to our hedging program, but I'm not</p> <p>22 aware of it. But it was common for us to hedge with</p> <p>23 our counter-parties. It reduced our risk.</p> <p>24 Q. And the -- the hedging counter-parties that</p> <p>25 you're talking about would have been one or more of</p>	<p style="text-align: right;">Page 41</p> <p>1 Morgan that Petrohawk Energy had \$900 million to</p> <p>2 spend on shale?</p> <p>3 A. Well, we didn't have \$900 million to spend</p> <p>4 on shale. We had \$900 million to, you know, execute</p> <p>5 our capital program. At that time, yes, most of it</p> <p>6 was shale, but certainly a very, very small component</p> <p>7 would have been earmarked for the Eagle Ford, if</p> <p>8 that's where you're getting.</p> <p>9 So, we -- we would have no cause to</p> <p>10 utilize this in discussions. It's public record</p> <p>11 anyway. I mean, so I guess I don't know where you're</p> <p>12 going.</p> <p>13 Q. Well, do you remember at any time -- let me</p> <p>14 get a little more refined -- Mr. Cusak or Mr. Caddou</p> <p>15 telling you that they had told Patti Ormond in</p> <p>16 March 2008 that Petrohawk Energy had \$900 million to</p> <p>17 spend on acquisition of drilling prospects?</p> <p>18 A. Absolutely not. If they made that</p> <p>19 statement, I would not concur with it and I doubt</p> <p>20 seriously they did, not to the way you just phrased</p> <p>21 it, that we could spend \$900 million on drilling</p> <p>22 prospects. That was not accurate.</p> <p>23 Q. And you don't recall any conversation with</p> <p>24 Mr. Cusak or Mr. Caddou on whether or not that's what</p> <p>25 they told Ms. Ormond?</p>

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<p>1 A. No, no. Mr. Cusak was well aware that</p> <p>2 \$900 million was not at his disposal to spend on</p> <p>3 drilling prospects. If that was conferred, it would</p> <p>4 have been a miscommunication in my opinion.</p> <p>5 Q. Now, a little bit later in 2008 this credit</p> <p>6 facility was amended again.</p> <p>7 Do you remember that happening</p> <p>8 sometime in September 2008?</p> <p>9 A. Like I said, we did it every year. I don't</p> <p>10 remember exactly when, but we did it all the time.</p> <p>11 Q. Well, let me show you what's been</p> <p>12 previously marked as Exhibit 599, which is the</p> <p>13 Petrohawk Energy 10K for the year ending December 31,</p> <p>14 2008. I've got a paper clip there on I believe</p> <p>15 Page 68.</p> <p>16 Do you see the reference to senior</p> <p>17 revolving credit facility?</p> <p>18 A. I do.</p> <p>19 Q. Now, in -- in this --</p> <p>20 MR. BEITER: I'm sorry, Jim. What was</p> <p>21 the page?</p> <p>22 MR. FLEGLE: 68.</p> <p>23 MR. BEITER: 68? Thank you.</p> <p>24 MR. FLEGLE: Yeah.</p> <p>25 Q. (BY MR. FLEGLE) Okay. And you see the</p>	<p>1 lands?</p> <p>2 A. It had.</p> <p>3 Q. But you didn't know the results yet?</p> <p>4 A. We had no -- we had not completed it.</p> <p>5 Q. Do you remember -- and by the way, did you</p> <p>6 give a presentation to the bank group for this</p> <p>7 \$1.5 billion increase?</p> <p>8 A. Most likely.</p> <p>9 Q. Do you remember anybody at that point in</p> <p>10 time in September 2008 saying anything to the effect</p> <p>11 that the economy is tanking and this is really a</p> <p>12 stretch and we really don't want to do it?</p> <p>13 A. No.</p> <p>14 Q. Do you remember whether this was a request</p> <p>15 by Petrohawk Energy for the increase or the bank</p> <p>16 group saying, "We want to give you more money"?</p> <p>17 A. Can I repeat it again? It was a scheduled</p> <p>18 semi-annual re-determination. It wasn't something we</p> <p>19 raised our hand or they raised their hand.</p> <p>20 Q. Okay. And the re-determination for the</p> <p>21 increase was based on -- I'm sorry.</p> <p>22 A. Proved reserves.</p> <p>23 Q. Okay. So, by September 2008 the proved</p> <p>24 reserves for Petrohawk had increased enough that the</p> <p>25 credit facility could be increased?</p>
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<p>1 revolving credit facility that's mentioned here is</p> <p>2 now as of September 10, 2008.</p> <p>3 Am I reading that correctly?</p> <p>4 A. Yes.</p> <p>5 Q. And it's between Petrohawk Energy and</p> <p>6 various lenders, which also include JP Morgan Chase</p> <p>7 Bank, N.A., correct?</p> <p>8 A. That's correct.</p> <p>9 Q. And then if you go down a couple of three</p> <p>10 lines, the new facility or senior credit agreement</p> <p>11 provides for a 1.5 billion-dollar facility with an</p> <p>12 increased borrowing base of \$1.1 billion.</p> <p>13 Did I catch that right?</p> <p>14 A. Absolutely.</p> <p>15 Q. Now, do you remember what was going on in</p> <p>16 September 2008 that resulted in this amendment to</p> <p>17 increase the credit facility to \$1.5 billion?</p> <p>18 A. Again, it's a semi-annual re-determination.</p> <p>19 We did it twice a year. Specific as to why it was</p> <p>20 done -- increased, it's just increased in proved</p> <p>21 reserve in the company which allowed us to increase</p> <p>22 our borrowing base.</p> <p>23 Q. Now, by the time this -- this amendment had</p> <p>24 occurred in September of 2008. At least the first</p> <p>25 well had begun drilling on the South Texas Syndicate</p>	<p>1 A. They would have had to. The exact nature</p> <p>2 of that increase at that point in time I would be</p> <p>3 speculating, but it was not the Eagle Ford.</p> <p>4 Q. And when you say they had to, that's</p> <p>5 because the way this credit agreement works?</p> <p>6 A. They are not going to reserve -- they are</p> <p>7 not going to loan you money unless you have proved</p> <p>8 reserves as collateral --</p> <p>9 Q. Okay.</p> <p>10 A. -- and evaluation of those proved reserves</p> <p>11 both from our internal engineering and from our</p> <p>12 reserve auditor, Netherland, Sewell & Associates.</p> <p>13 Q. Now, did anybody in the bank group, the</p> <p>14 lenders to this amended credit facility, after</p> <p>15 September 10, 2008, come back to Petrohawk Energy to</p> <p>16 your knowledge and say, "Because of the economy,</p> <p>17 because of things that have happened, we really need</p> <p>18 to renegotiate the size of this facility"?</p> <p>19 A. Subsequent to this?</p> <p>20 Q. Yes, sir.</p> <p>21 A. Not that I'm aware of.</p> <p>22 Q. And that would -- and I'm trying to get</p> <p>23 through to December 2008.</p> <p>24 Did anybody that you're aware of from</p> <p>25 this bank group come back to Petrohawk Energy and</p>

12 (Pages 42 to 45)

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<p>1 say, "The economy is so bad we've really got to 2 reduce this facility"?</p> <p>3 A. Not that I recall.</p> <p>4 Q. Now, let me re-focus back on the South 5 Texas Syndicate.</p> <p>6 When do you remember first finding out 7 that the South Texas Syndicate had acreage in the 8 Petrohawk Energy buy area for Eagle Ford shale?</p> <p>9 A. You know, sometime late first quarter 2008, 10 but I -- I don't recall any specific meeting or event 11 that, you know, signified that.</p> <p>12 Q. And when you say in first quarter, that 13 means up to March 31?</p> <p>14 A. Yeah.</p> <p>15 Q. Okay. Do you recall a point in time when 16 you learned that the South Texas Syndicate Trust 17 might have tens of thousands of acres available for 18 lease?</p> <p>19 A. You know, honestly, no. Let me -- I think 20 this will maybe help shortcut some of the questions, 21 but in my position I was not involved in a 22 day-to-day, you know, update or evaluation of the 23 goings-on. When we approved this as a prospect that 24 we could expend capital on, it then became the job of 25 the land department and the exploration department to</p>	<p>1 Within the confines of those 2 parameters, I did not go in and -- and question or 3 manage that process. I got updates as to our 4 success, but I did not manage the execution of it.</p> <p>5 Q. Do you have a recollection of when you 6 found out the first time that there were somewhere 7 north of 23, 24,000 acres on the South Texas 8 Syndicate interests that were going to be leased to 9 Petrohawk Energy in May 2008?</p> <p>10 A. Same answer. I don't recall that -- we 11 were leasing from J.C. Martin, we were leasing from, 12 you know, all these other fairly large mineral 13 owners. This all came together very, very quickly, 14 as you can see based upon our success in leasing the 15 STS.</p> <p>16 Just to expound on that, this area had 17 seen frightfully little exploration over the past 18 several decades. It's in the middle of nowhere in 19 terms of producing trends. I mentioned earlier the 20 crustaceous trend to our north, the tertiary trend to 21 our south. There was essentially no production in 22 this area aside from a few very, very scattered 23 Wilcox producers.</p> <p>24 So, you know, it didn't take very long 25 to find out, number one, all this acreage was open,</p>
Page 47	Page 49
<p>1 collectively execute that leasing process, but I was 2 not in any kind of day-to-day or week-to-week 3 involvement in the details of it.</p> <p>4 So, the answer is I wasn't aware of 5 exactly how many acres we might have had available to 6 us. We had a buy area. I asked the guys to execute 7 the acquisition of leases within that buy area, and 8 they did their job.</p> <p>9 Q. In Petrohawk Energy's communications with 10 JP Morgan -- let me start again.</p> <p>11 Were you involved in any internal 12 discussions at Petrohawk Energy as Petrohawk Energy 13 approached JP Morgan, as trustee for the South Texas 14 Syndicate, that discussed whether or not to use 15 Petrohawk Energy's name in the discussions?</p> <p>16 A. Not that I recall. Again, I didn't 17 micro-manage this group. I had confidence in 18 Charles. I had confidence in the land department. I 19 do not recall directing them in any specific fashion. 20 We had -- we had a top that we would pay for a 21 bonus -- I don't remember what it was, but let's say 22 it was a couple hundred bucks. We had a term that we 23 were required to get, call it three years. We had a 24 maximum royalty that we would pay, probably 25 25 percent.</p>	<p>1 most all of it and, number two, that we could 2 effectively lease from these people because they 3 haven't been leased from in years if not decades. 4 So, it all went very, very quickly. And, again, it 5 wasn't such that I had weekly updates on -- on the 6 progress.</p> <p>7 Q. Other than the South Texas Syndicate 8 acreage which was in the tens of thousands of acres 9 per lease, were there other large leases that you 10 recall that Petrohawk Energy took in its name in 11 2008?</p> <p>12 A. No, not that I recall. As I said before, 13 this was the only what I would call professional 14 organization that we were leasing from, and that 15 dictated a little different approach than leasing 16 from the rancher or call it a disinterested land 17 owner.</p> <p>18 Q. Did anybody mention to you at any time that 19 there was an agreement between Petrohawk Energy and 20 JP Morgan, as trustee, that JP Morgan would not 21 disclose that Petrohawk Energy was negotiating leases 22 with JP Morgan, as trustee for the South Texas 23 Syndicate?</p> <p>24 MR. BEITER: Objection. Form.</p> <p>25 A. I had no knowledge of any kind of agreement</p>

13 (Pages 46 to 49)

<p style="text-align: right;">Page 50</p> <p>1 like that, verbal or written. I'm not saying there 2 wasn't, but I had no knowledge of one. 3 Q. (BY MR. FLEGLE) Mr. Cusak or Mr. Caddou 4 didn't mention that to you? 5 A. No. Like I said, I don't recall any verbal 6 or written agreement that the South Texas -- JP 7 Morgan would keep our name confidential to the 8 process. 9 Q. Do you remember any decision made 10 internally at Petrohawk Energy not to file either the 11 leases or the memorandums of the leases of record for 12 the May 2008 leases with JP Morgan, as trustee, and 13 the July 2008 lease with JP Morgan, as trustee, until 14 October 31, 2008? 15 A. I can only make a point of conjecture that 16 it's for the same reason as I mentioned before, to 17 minimize the knowledge to the public that Petrohawk 18 was involved in this area potentially as a shale 19 resource. 20 Q. And looking at -- if in fact -- and I think 21 the record will show -- that there were several dozen 22 leases that were filed on October 30 and October 31, 23 2008, in which Petrohawk or First Rock were the 24 lessees, prior to October 31, 2008, Petrohawk Energy 25 had made a disclosure to the public of the discovery</p>	<p style="text-align: right;">Page 52</p> <p>1 Petrohawk Energy itself, to your knowledge, make any 2 disclosures about its interests in the South Texas 3 Syndicate lands -- mineral interests until after the 4 first well had been completed? 5 A. I would be surprised if anybody had made 6 that statement. 7 Q. And do you know whether or not anybody at 8 JP Morgan had made any public statements about the 9 leasing that was going on between it as trustee and 10 Petrohawk Energy before October 21, 2008? 11 A. Same answer. I would be surprised, but I 12 had no knowledge one way or another. 13 Q. Did you play any role in setting up the buy 14 area for the Eagle Ford? 15 MR. BEITER: Objection. Form. 16 A. I mean, I certainly had a role because 17 everything was reporting up through me, but exactly 18 what that role was other than just being advised of 19 the ongoing effort, I can't recall anything other 20 than that. 21 Q. (BY MR. FLEGLE) Let me show you what's been 22 previously marked as Exhibit 507. This is an e-mail 23 at the bottom from Mr. Cusak to Ms. Ormond at JP 24 Morgan dated March 20, 2008, and it's got a chart 25 attached to it.</p>
<p style="text-align: right;">Page 51</p> <p>1 well, had it not? 2 A. That's correct. 3 Q. And prior to the disclosure by Petrohawk of 4 the discovery well, which I think was somewhere 5 around October 21, 22, 2008, was there any way anyone 6 could tell whether or not Petrohawk Energy had a -- 7 an interest in the first discovery well on the South 8 Texas Syndicate lands? 9 MR. BEITER: Objection. Form. 10 A. I mean, how -- how do I know if there's any 11 way? I'll tell you one story. Rod Lewis would park 12 his helicopter on our pad and gauge our tubing 13 pressure on a regular basis. So -- and Rod was one 14 of the ones that had failed miserably at trying to 15 complete the Eagle Ford. So, I would make -- and I 16 know even -- it's not a reach. Rod Lewis had a sense 17 of what we were doing. Did he know? No. But he had 18 a sense and how many other people had a sense, I 19 couldn't tell you. But Rod has gone on the record 20 both to me and to other public sources to state that 21 he thought it was pretty funny that he was using his 22 helicopter as gaining information about what we're 23 doing. 24 Q. (BY MR. FLEGLE) Well, let me ask you this. 25 From -- from a standpoint of Petrohawk Energy, did</p>	<p style="text-align: right;">Page 53</p> <p>1 Does that chart refresh your memory 2 that you had some conversations about an area of 3 interest in the middle of March 2008? 4 MR. NETTLES: Objection. Form. 5 A. I guess in the first place I don't see my 6 name on here. So, it doesn't change my answer. 7 Q. (BY MR. FLEGLE) Right. You're name's not 8 on there. 9 A. No. 10 Q. But you -- in looking at the second page of 11 this e-mail or the attachment to the e-mail, does 12 this help you recall that in March 2008 Petrohawk 13 Energy had a level of detail about the South Texas 14 Syndicate acreage that would allow it to chart out an 15 area of interest? 16 MR. BEITER: Objection. Form. 17 A. I didn't answer anything to the contrary 18 earlier on. I just said the people that were 19 executing the leasing effort were doing their job. 20 Was I aware of exactly what they were doing? No. 21 Q. (BY MR. FLEGLE) Did -- do you recall giving 22 Mr. Cusak or Mr. Caddou any instructions on how much 23 of the South Texas Syndicate acreage Petrohawk Energy 24 was interested in leasing? 25 A. We had -- when you reference this as a buy</p>

14 (Pages 50 to 53)

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<p>1 area, this is a buy area only as to -- pertaining to 2 the STS. This is not the buy area for the play, 3 okay? So, I was fully aware of and involved in 4 determining the overall buy area. Any leasing 5 effort, discussions, maps, et cetera, that were 6 related to any given one lessor I was not necessarily 7 involved in or aware of.</p> <p>8 To answer your question, though, 9 everything within the buy area -- the general buy 10 area, not the specific buy area that could be 11 acquired under the terms that I described earlier -- 12 would have been -- we would have wanted to acquire 13 that.</p> <p>14 Does that answer your question?</p> <p>15 Q. I believe so. Let me ask you this. Was 16 there any minimum amount of acreage on the South 17 Texas Syndicate interests that Petrohawk Energy 18 needed to lease before it drilled the first discovery 19 well on the South Texas Syndicate interests?</p> <p>20 MR. BEITER: Objection. Form.</p> <p>21 A. It's a very difficult question to answer, 22 but let me take a stab at it. We had a large 23 investment of acquiring leases in a fairly large area 24 and we were going to expend quite a bit of additional 25 exploration capital in drilling this project, and if</p>	<p>1 Q. When in the sequence do you recall the 2 decision was made to spud the STS241-1H?</p> <p>3 A. I can only say at a point at which time we 4 had controlled or acquired substantially all of the 5 project area. That timing, I don't know when that 6 occurred.</p> <p>7 Q. And when you say "the project area," what 8 are you talking about?</p> <p>9 A. The buy area.</p> <p>10 Q. Now, at the time -- I'll just represent to 11 you at the time the STS241-1H was spudded, which was 12 the first few days of July 2008, Petrohawk Energy 13 only had two of the leases it ultimately got with JP 14 Morgan, as trustee, signed.</p> <p>15 Do you know of any agreement prior to 16 the time the STS241-1H was spudded that JP Morgan, 17 trustee, had agreed with Petrohawk Energy that 18 Petrohawk Energy would get the remaining four leases?</p> <p>19 A. It's my understanding we had a 20 contractual -- we had agreement with the JP Morgan 21 folks to lease additional acreage to us, which again 22 is why my answer is that when we had at least a 23 contractual right to acquire additional acreage we 24 then decided to drill our first well. That's my 25 recollection.</p>
Page 55	Page 57
<p>1 we would have not acquired a substantial portion of 2 the 132,000 acres or whatever it is you say was 3 available, it would have made the decision of where 4 to drill and when to drill and how often to drill 5 much more difficult because of the same answer I gave 6 previously regarding the competition that would have 7 been generated with open acreage and us having no 8 control over that open acreage.</p> <p>9 Every prospect in the oil and gas 10 business that has been generated -- I'm using this, 11 you know, argumentatively, but if one didn't have 12 control of the prospective area of one's prospect, 13 whether it's a small structure on the Gulf Coast or a 14 large shale play in North Dakota, if one didn't have 15 a sizable portion of that project controlled, the 16 decision making on how to go forward would have been 17 difficult.</p> <p>18 So, to answer your question, I don't 19 know what we would have done or how quickly we would 20 have done it if we had not controlled a majority of 21 the acreage. So, it's a difficult hypothetical.</p> <p>22 Q. (BY MR. FLEGLE) Well, let me ask you about 23 this. The first well that was spudded in the Eagle 24 Ford by Petrohawk Energy was the STS241-1H?</p> <p>25 A. Correct.</p>	<p>1 Q. In terms of your recollection, when do you 2 recall that this contractual agreement with JP 3 Morgan's folks came into being?</p> <p>4 A. I wouldn't have been able to even guess at 5 it without having read either Mr. Cusak's or 6 Mr. Caddou's deposition, but my recollection from 7 reading the deposition that it might have been in May 8 sometime. But honestly I -- I wasn't -- I repeat 9 myself. I wasn't directly involved in those 10 execution-style decisions and I left it up to my 11 staff to do their job and they did it very well.</p> <p>12 Q. And when you said "May sometime," you meant 13 May 2008?</p> <p>14 A. Correct.</p> <p>15 Q. Do you have any recollection of whether or 16 not this agreement between Petrohawk Energy and JP 17 Morgan's folks was oral or in writing?</p> <p>18 A. Again, just based upon what I read, I think 19 it was in writing and it would have needed to be. 20 And so, yeah, they did their job well. I would not 21 have proceeded -- I don't think I would have 22 proceeded without some contractual other than -- not 23 a verbal contract, a written contract. Is there such 24 thing as a verbal contract?</p> <p>25 Q. There is in this state. Do you recall ever</p>

15 (Pages 54 to 57)

<p style="text-align: right;">Page 58</p> <p>1 seeing a written contract with JP Morgan in which JP</p> <p>2 Morgan, as trustee, committed to lease all available</p> <p>3 acreage to Petrohawk Energy as of May 2008?</p> <p>4 A. No, I don't.</p> <p>5 Q. And who would have had authority to sign</p> <p>6 such an agreement on behalf of Petrohawk Energy in</p> <p>7 2008?</p> <p>8 A. I believe Charles had that authority.</p> <p>9 Q. Charles Cusak?</p> <p>10 A. Cusak.</p> <p>11 Q. In the folklore of the first well, the</p> <p>12 24-1H, there had been discussions about conversations</p> <p>13 at the Texas/OU game on October 11, 2008.</p> <p>14 Were you there?</p> <p>15 A. Absolutely.</p> <p>16 Q. What -- what do you recall discussing at</p> <p>17 that game, if you don't mind recalling it for us?</p> <p>18 A. Folklore is a very good way to put it.</p> <p>19 Q. I'm sorry?</p> <p>20 A. Folklore is a good way to put it because it</p> <p>21 has been put into various publications across the</p> <p>22 country regarding that exchange.</p> <p>23 We were flowing back after the</p> <p>24 fracture stimulation, and that morning was when we</p> <p>25 first started seeing hydrocarbon. And as the day</p>	<p style="text-align: right;">Page 60</p> <p>1 Q. Do you remember being made aware in --</p> <p>2 sometime in the period after the game on October 11</p> <p>3 and before the public announcement was made that</p> <p>4 there still was 30 plus thousand acres of South Texas</p> <p>5 Syndicate mineral interests that were not under</p> <p>6 formal lease?</p> <p>7 A. It was not aware to me.</p> <p>8 Q. And after the public announcement, which I</p> <p>9 think was on October 21, 2008, were you aware that</p> <p>10 Mr. Caddou and Mr. Cusak went over to pay a personal</p> <p>11 visit with Ms. Ormond in San Antonio for purposes of</p> <p>12 these additional unleased acres?</p> <p>13 A. Other than having read the deposition, no,</p> <p>14 at the time I was not aware.</p> <p>15 Q. I'm going to change gears for a second.</p> <p>16 There are some other leases on the South Texas</p> <p>17 Syndicate property that were leased to Pioneer.</p> <p>18 You know who Pioneer is, don't you?</p> <p>19 A. Oh, yeah.</p> <p>20 Q. Do you remember any discussions with anyone</p> <p>21 internally at Petrohawk Energy or externally with JP</p> <p>22 Morgan or anybody else about the -- any interest that</p> <p>23 Petrohawk Energy had in leases held by Pioneer?</p> <p>24 A. I do recall that, and it kind of again gets</p> <p>25 back to the general management style that I employed</p>
<p style="text-align: right;">Page 59</p> <p>1 progressed or the morning progressed, I should say,</p> <p>2 it became apparent that we had had a fairly</p> <p>3 significant volume of gas being produced and Greg and</p> <p>4 I were exchanging e-mails and actually ran into each</p> <p>5 other in the game and I was exchanging e-mails with</p> <p>6 Floyd, as well. It was quite exciting, and it</p> <p>7 might -- it happened to be probably the best Texas/OU</p> <p>8 game I've ever witnessed, and I've witnessed a lot of</p> <p>9 them.</p> <p>10 Q. For more than one reason?</p> <p>11 A. Oh, yeah. We were down 21 to 7 and Jason</p> <p>12 Shipley returns a kickoff a hundred yards to bring us</p> <p>13 back to 21-14. Colt McCoy has the game of his life,</p> <p>14 and we end 38 to 28 and proceed to go to the national</p> <p>15 championship game.</p> <p>16 Q. After that game, did you give any</p> <p>17 instructions to either Mr. Cusak or Mr. Caddou to</p> <p>18 speed up the rate of leasing in the Eagle Ford?</p> <p>19 A. We always went at hawk speed, which is</p> <p>20 quite fast. So, I might have, you know, stated the</p> <p>21 obvious that "We are now probably going to encounter</p> <p>22 some competition, so we probably ought to be a bit</p> <p>23 more diligent in -- in finalizing any additional</p> <p>24 leasing we need to -- to undertake." But a specific</p> <p>25 directive, I don't recall.</p>	<p style="text-align: right;">Page 61</p> <p>1 was that if things were going as expected -- and the</p> <p>2 leasing effort did go as expected -- I was not</p> <p>3 necessarily kept up to date on any specific details.</p> <p>4 But this was a unique instance whereas I recall there</p> <p>5 was either litigation or question regarding the title</p> <p>6 that Pioneer had on that lease and that, you know,</p> <p>7 what could we do to end up getting involved in that</p> <p>8 lease, either through JP Morgan or by virtue of -- of</p> <p>9 a relationship with Pioneer.</p> <p>10 So, yeah, I do recall that that was</p> <p>11 kind of a difficult situation for our benefit in</p> <p>12 talking about how we might be able to work it to our</p> <p>13 benefit.</p> <p>14 Q. Do you remember getting reports from any of</p> <p>15 the folks that reported to you that Ms. Ormond or</p> <p>16 anybody at JP Morgan, as trustee, had asked Petrohawk</p> <p>17 Energy to step back and not contact Pioneer for</p> <p>18 purposes of the leases?</p> <p>19 A. I don't -- I don't think I was involved in</p> <p>20 that kind of detailed strategy. I just knew it was</p> <p>21 something that we wanted and that, you know, we will</p> <p>22 try and get but that, again, was about the extent of</p> <p>23 my involvement.</p> <p>24 Q. Do you remember any issues involving leases</p> <p>25 that were held in the name of Broad Oak?</p>

16 (Pages 58 to 61)

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<p>1 A. Again, probably without having read the 2 deposition I probably wouldn't have recalled the 3 detail. I knew Broad Oak. I knew the guys there. I 4 knew they had some -- some leases up north of us 5 where we considered it, you know, potentially too 6 thin to be commercial, but I don't recall the detail 7 that I read in the deposition. 8 Q. Do you know whether or not there was any 9 understanding internally at Petrohawk Energy that the 10 Broad Oak leases were a part of this agreement that 11 South Texas Syndicate leases would be leased by JP 12 Morgan, as trustee, to Petrohawk Energy? 13 A. No, I have no -- no knowledge of that. 14 Q. There was also an agreement with Bluestone 15 in early 2008. 16 Do you have any recollection of that? 17 A. I do. The timing of it, you know, I would 18 be guessing, but I -- as I got back to thinking about 19 it after reading the deposition, I -- I think that 20 was a project that -- that I might have sourced or 21 came directly to me. We looked at it. "We" being 22 Charles and myself and some other number of people. 23 It just happened to be in the same general 24 neighborhood as our buy area for the Eagle Ford. I'm 25 guessing it was probably in -- in the second half of</p>	<p>1 more than just day-to-day operations? Yes, but it's 2 been too long to really recall the details of it. 3 Q. You are -- you were in 2008 and 2009 a 4 participant in some -- maybe all -- of the earnings 5 calls that Petrohawk Energy had quarterly, were you 6 not? 7 A. Most, yeah, I would have been. 8 (Exhibit 858 marked) 9 Q. (BY MR. FLEGLE) Let me show you what I'm 10 marking as Exhibit 858. 11 A. Did I say something stupid? 12 Q. I'm sure not. Exhibit 857 is a transcript 13 of a -- what is purported to be a Petrohawk Energy 14 Corp. Q3 -- which that means third quarter, does it 15 not? 16 A. It does. 17 Q. 2008 earnings call. And you see about the 18 middle of the first page it's got a date on it of 19 November 6, 2008, 10:00 a.m.? 20 A. I see that. 21 Q. And if you flip through -- well -- well, it 22 doesn't have your name. Yes, it does. It has your 23 name at the top as one of the three executives. 24 Do you see that? 25 A. I do.</p>
Page 63	Page 65
<p>1 '07 because I know it went away in -- in sometime in 2 '08. So, there had to be some sort of a term 3 confidentiality that we signed, probably 12 months to 4 18 months. We would generally not sign more than 18 5 months. 6 So, to answer your question, I do 7 recall it. It was an Almos sand play, if I remember, 8 pretty good science but too much risk at the time for 9 us, and it wasn't what you would call typical 10 unconventional shale exploration. So, we -- we 11 passed. 12 We looked at it, did tie our hands on 13 it from a confidentiality agreement standpoint, and I 14 think the guys worked through it the best they could 15 to resolve it. 16 Q. And this -- the acreage that were the 17 subject of this hand tying or this confidentiality 18 agreement was acreage that ultimately Petrohawk 19 Energy leased from JP Morgan, as trustee for the 20 South Texas Syndicate? 21 A. That's my understanding of it. How it 22 actually transpired in terms of what agreements we 23 made with Bluestone to release our hands or however 24 all that worked, I don't recall. Was I directly 25 involved in it? Probably not. Was I aware of it</p>	<p>1 Q. Do you have a recollection of being on this 2 particular earnings call? 3 A. Not this one in specific but, like you 4 said, I was on all of them at this time. So, it 5 doesn't surprise me that I was. 6 Q. The -- I just wanted to ask you about a 7 couple of comments just so I understand what you 8 were -- you were saying. 9 On Page 6 of 28 -- and the pages are 10 up at the top. 11 A. Uh-huh. 12 Q. Do you see there's a -- there's a statement 13 by you in about the lower 40 percent of the page. 14 A. You uh-huh. 15 Q. And the -- the question, to put it in 16 context, it looks like it's talking about the lower 17 Cotton Valley. 18 Am I getting that right? 19 A. That's correct. 20 Q. All right. I just wanted to focus on the 21 last two sentences of what your -- your first -- the 22 first paragraph here. You said -- it says in the 23 transcript, "It is basically what Floyd has said" -- 24 and that's Floyd Wilson, your CEO. Right? 25 A. Right.</p>

17 (Pages 62 to 65)

<p style="text-align: right;">Page 66</p> <p>1 Q. "For the last couple of months as we really 2 need to focus on the acreage that is not held by 3 production. We don't need" -- and I presume there's 4 a typo there. "We don't need to be drilling 5 spuds" -- 6 A. Puds, P-U-D. Proven undeveloped locations. 7 The transcripitor didn't do that right. 8 Q. All right. "We don't need to be drilling 9 opportunities where the acreage is secure and held." 10 So, I wanted to ask you a couple things. On the "We 11 don't need to be drilling" -- it's puds. Right? 12 A. Yes. 13 Q. And puds are -- 14 A. Proven undeveloped locations as per reserve 15 report. 16 Q. Okay. And then you say, "We don't need to 17 be drilling opportunities where the acreage is 18 secured and held." 19 What did you mean by that? 20 A. Our capital was limited. It may sound like 21 we had a bunch of money because we had a billion and 22 a half dollar borrowing base, but the fact is we were 23 very strapped from a capital standpoint during this 24 entire period of our life. 25 So, if we're going to be drilling 10</p>	<p style="text-align: right;">Page 68</p> <p>1 knowledge -- Petrohawk Energy have any 640-acre 2 leases in the Eagle Ford play? 3 A. Leases? I'm sure we had a few, but they 4 were the exception whereas -- opposed to the rule in 5 north Louisiana. 6 Q. And in terms of your -- do you have an 7 understanding of what about the average size of 8 leases Petrohawk Energy was able to secure in the 9 Eagle Ford? 10 A. No. It would just be a wild guess. They 11 were large. 12 Q. Let me turn your attention to Page 13 of 13 the Q3 2008 earnings call transcript. And this is, 14 again, November 6, 2008, and there's an unidentified 15 analyst that's asking for some Eagle Ford play 16 descriptions and then below the unidentified analyst 17 is a series of lines under your name. 18 A. Uh-huh. 19 Q. Are those statements that you made, you 20 think? 21 A. I'm sure I did, unless I was misquoted 22 about spud like I was on the other one. 23 Q. Well, let's -- let's go through this and 24 see if I've got it right, then. You say, "We think 25 we have that all controlled," and the "that" that you</p>
<p style="text-align: right;">Page 67</p> <p>1 million-dollar wells with 10 or 12 or 15 rigs, that 2 capital needs to go towards securing our investment 3 in that leasehold, not leasehold that's already been 4 secured. 5 Q. And "leasehold that's already been secured" 6 is another way of saying the lease acreage is being 7 held because whatever the lease required Petrohawk 8 Energy to do, Petrohawk Energy had done? 9 MR. BEITER: Objection. Form. 10 A. That is generally correct, yeah. 11 Q. (BY MR. FLEGLE) Would you say it 12 differently? 13 A. No, not really. It differs when you're 14 talking about a 640-acre lease in north Louisiana or 15 a 20,000-acre lease in south Texas. That which 16 needed to be done was more complex and more -- it 17 just wasn't over. Where I'm talking about here in 18 particular, a Haynesville unit is 640-acre 19 governmental unit. That one well is going to hold 20 that, simple. In south Texas, 20,000-acre lease with 21 J.C. Martin or STS has a little more complexity in 22 terms of what we have to do going forward. It's not 23 just over as long as we consider it to be over. 24 Does that make sense? 25 Q. Yeah, sure. And did -- to your</p>	<p style="text-align: right;">Page 69</p> <p>1 have controlled is acreage? 2 A. Yes. And, again, I've made reference to 3 this, but let me expound on it. Our buy area was 4 predicated on a certain presumed thickness of Eagle 5 Ford shale reservoir that was pretty well 6 identifiable through the use of seismic data. So, we 7 drew that buy area, we leased everything inside that 8 buy area that we could, and we were very successful 9 in acquiring those leases inside the buy area. 10 Because ours was the first commercial discovery or 11 commercial well drilled in the play, the biggest 12 question that we had was what thickness is required 13 for commercial rates? Since we were the only one 14 that had drilled a commercial well and we were in an 15 area that was two to three times thicker than 16 anywhere else in the play, we felt like we had that 17 area of the field controlled. The area of the field 18 that had at least a hundred -- I can't remember if it 19 was a hundred, 125 feet of net Eagle Ford pay. That 20 was what we felt like we controlled. 21 You can see by that second statement, 22 "This is very discreet play based on our mapping," 23 and that's what I'm referring to, our mapping of the 24 thickness of the reservoir. 25 Q. And then you say in terms of your mapping,</p>

18 (Pages 66 to 69)

<p style="text-align: right;">Page 70</p> <p>1 "The quality shale is readily apparent when you study 2 the limited but still very obvious well controlled in 3 terms of having necessary thickness." 4 And is that the thickness that you're 5 talking about? 6 A. Yes, yes. What we thought was necessary. 7 We didn't know that, but based upon a sample set of 8 one, we felt like that it might be necessary. 9 Q. All right. And then could you read what 10 you said starting with "so" in the next line? 11 A. "So, we knew it was heading a little 12 further east than our initial view of it that was 13 released a couple weeks ago. It was fairly going to 14 go into McMullen County, but we think right now that 15 we have a pretty well control on it and that was done 16 through -- I call it old-fashioned exploration work 17 based on subsurface mapping." 18 Q. And what did you mean by "pretty well 19 controlled"? 20 A. Well, there's -- either I tongue-tied 21 myself or it was not transcribed accurately. I will 22 tell you it was probably "We think right now that 23 we've got it pretty well controlled," and through our 24 mapping we controlled the area that we felt like had 25 sufficient thickness.</p>	<p style="text-align: right;">Page 72</p> <p>1 (Exhibit 859 marked) 2 Q. (BY MR. FLEGLE) I'm just going to ask you 3 about two or three publications here. The first one 4 is Exhibit 859, which is dated March 10, 2010. This 5 is in upstream.com and the heading is Petrohawk 6 Pushes to Hold Acres. You are quoted about seven 7 lines down. It says, "Stoneburner said those 8 spending levels" -- talking about the spending levels 9 in the various acreage that Petrohawk had -- "are 10 not," quote, "discretionary because the rig count is 11 being driven largely by the company's need to hold 12 acreage." 13 The company's need to hold acreage 14 there was determined by the terms of the leases that 15 Petrohawk Energy entered, correct? 16 A. That would be largely the case, yes. 17 Q. And then the -- and the next quote is, 18 "What happens in 2012 will be dictated by the market 19 and won't be dictated by need to protect our 20 leasehold investment." 21 Is that because by then it was your 22 view in March of 2010 that Petrohawk Energy had done 23 everything it needed to fulfill its obligations under 24 the leases? 25 MR. BEITER: Objection. Form.</p>
<p style="text-align: right;">Page 71</p> <p>1 Q. And then you say, "But we think right 2 now" -- let's see. The next -- the next sentence you 3 say, "Finding a concept based on some subsurface 4 mapping, doing the rock work to confirm that the 5 rocks were conducive to the generation of thermogenic 6 gas and once that occurred you'll begin leasing, 7 drill the well, and I would say the results are very 8 consistent." 9 And when you say, "I would say the 10 results are very consistent," the results you're 11 talking about in November 2008 are what? 12 A. Well, probably consistent with what our -- 13 our objectives would have been, our predrill 14 hoped-for objectives. 15 Q. And then you say, "If not, maybe a little 16 better than our expectations but certainly commercial 17 in our mind and something we're very excited about." 18 When you say "certainly commercial in 19 our mind," are you referencing the results in the 20 Eagle Ford on the first STS241-1H well? 21 A. I was. Now, I would add that to that 22 specific individual well cost it probably wasn't but 23 had enough experience to know that the size of this 24 play, the ability to bring cost down, it had the 25 appearance of a commercial play.</p>	<p style="text-align: right;">Page 73</p> <p>1 A. You said 2010. By 2012 -- 2 Q. (BY MR. FLEGLE) Right. 3 A. -- we would have substantially met those 4 obligations, but let -- let me get back to what I 5 said earlier. 6 The complexity of a 640-acre unit in 7 the Haynesville, there was none. You had to drill 8 one every 640. By 2012, we knew that was going to be 9 done. Then we could convert or -- or reallocate the 10 capital that we were spending in the Haynesville to 11 the more complex equation of our obligations in the 12 Eagle Ford. 13 MR. NETTLES: Let me know when you get 14 a good time to just take a short break. 15 MR. FLEGLE: Yeah, this is a good 16 time. 17 VIDEOGRAPHER: Off the record. The 18 time's 11:36. 19 (Recess from 11:36 a.m. to 11:43 a.m.) 20 VIDEOGRAPHER: On the record again. 21 The time is 11:43. 22 (Exhibit 860 marked) 23 Q. (BY MR. FLEGLE) I've marked as Exhibit 860 24 a couple of pages out of a February 2010 conference 25 call I believe for Petrohawk, and on the second page</p>

19 (Pages 70 to 73)

Page 74	Page 76
<p>1 there are some references here to you. I wanted to</p> <p>2 focus on the last reference, and Mr. Wilson had been</p> <p>3 talking about the Eagle Ford.</p> <p>4 A. Do you want me to read through Tina's</p> <p>5 comment, as well?</p> <p>6 Q. I was just -- I was actually -- I'm sorry.</p> <p>7 I was going to the second page.</p> <p>8 A. Oh, I'm sorry.</p> <p>9 Q. I apologize. There's a comment by</p> <p>10 Mr. Wilson next to the bottom.</p> <p>11 A. Okay. So, the bottom two comments?</p> <p>12 Q. Yeah. I wanted to ask you about yours.</p> <p>13 A. Let me read through -- let me read through</p> <p>14 that, then. (Witness reviews the document.) Okay.</p> <p>15 Q. And this conference call document says</p> <p>16 February 2010. I wanted to ask you about the third</p> <p>17 line there. It says, "So, we bought that in the dark</p> <p>18 of night without competition and with a pretty good</p> <p>19 geologic model."</p> <p>20 Was that your view of how Petrohawk</p> <p>21 Energy purchased the acreage it had in the Eagle</p> <p>22 Ford?</p> <p>23 A. Are you referring to the dark of night?</p> <p>24 Q. Yes, sir.</p> <p>25 A. Well, if you understand what I meant by</p>	<p>1 drilled 15 wells or some number like that, certainly</p> <p>2 not enough to de-risk an entire 160,000-acre</p> <p>3 position, and we probably had 200,000 acres by this</p> <p>4 time. But it was very consistent. And just the</p> <p>5 point being even with just 15 or 20 wells or whatever</p> <p>6 it was, it was -- it was confirming our geologic</p> <p>7 model that we had a very large area of thick, quality</p> <p>8 Eagle Ford shale reservoir.</p> <p>9 Q. Let's jump a head a few months to</p> <p>10 February 2011.</p> <p>11 (Exhibit 861 marked)</p> <p>12 Q. (BY MR. FLEGLE) My first general question</p> <p>13 is: Do you remember a hydraulic fracturing technique</p> <p>14 called HiWAY?</p> <p>15 A. I do.</p> <p>16 Q. And was it created by Schlumberger?</p> <p>17 A. It was.</p> <p>18 Q. Did Petrohawk Energy use it?</p> <p>19 A. Yes. We actually had an arrangement with</p> <p>20 Schlumberger where we were kind of a guinea pig to</p> <p>21 use it and test it and have the right to use it</p> <p>22 before anybody else as they took it to commercial</p> <p>23 marketing. So, it was -- it was a risk we took, but</p> <p>24 we had a great relationship with Schlumberger and the</p> <p>25 theory made sense. So, yes, we had -- we had a --</p>
Page 75	Page 77
<p>1 that, we -- we did it without anybody knowing we were</p> <p>2 doing it, certainly in the public realm. So, yes,</p> <p>3 that's -- I have no problem with that statement.</p> <p>4 Q. And then you said, "And I would eventually</p> <p>5 say that we've already decreased the risking to</p> <p>6 80 percent on that, and I wouldn't be surprised if</p> <p>7 sometime in the future that would even go higher just</p> <p>8 because of the consistency we've seen and the quality</p> <p>9 of the acreage across the board."</p> <p>10 My first question is: What does</p> <p>11 decrease the risking to 80 percent mean for you?</p> <p>12 A. In that about 80 percent of the acres that</p> <p>13 we had acquired would be commercially productive in</p> <p>14 our opinion at that time.</p> <p>15 Q. And you say, "That would even go higher</p> <p>16 just because of the consistency we've seen and the</p> <p>17 quality of the acreage across the board."</p> <p>18 What was the consistency and the</p> <p>19 quality you were observing?</p> <p>20 A. Well, I don't know how many wells we've</p> <p>21 drilled at this time, but it probably still wasn't</p> <p>22 very many for reasons we've already gone into about</p> <p>23 having most of our capital allocated to the</p> <p>24 Haynesville in the 2009 time frame.</p> <p>25 So, you know, let's just say we've</p>	<p>1 probably wasn't a written contract, certainly not to</p> <p>2 my knowledge, but we had a working relationship with</p> <p>3 them to allow us to be the first ones to test this --</p> <p>4 this new product.</p> <p>5 Q. And it terms of the results that came out</p> <p>6 of at least the first four test wells, did HiWAY</p> <p>7 yield an increase in average production of</p> <p>8 37 percent?</p> <p>9 A. Yeah. We had various guesstimates on, you</p> <p>10 know, EUR and production. Yeah, it was a success to</p> <p>11 essentially that stated percentage.</p> <p>12 Q. And then this article says that "Estimated</p> <p>13 ultimate recovery figures from the limited trial</p> <p>14 would be 25 to 90 percent higher compared to</p> <p>15 offsetting wells completed with conventional</p> <p>16 fracturing techniques."</p> <p>17 Do you know whether or not that higher</p> <p>18 percentage was, in fact, obtained?</p> <p>19 A. The 90? I don't know where I would have</p> <p>20 said 90. That doesn't make any sense. That -- I</p> <p>21 don't know the answer in terms of, you know, these</p> <p>22 early time estimates. I would venture to say that we</p> <p>23 still saw better results -- particularly in the dry</p> <p>24 gas areas is where we saw the most consistent</p> <p>25 results. When we got into some of the higher liquid</p>

20 (Pages 74 to 77)

<p style="text-align: right;">Page 78</p> <p>1 areas it became less dramatic, but I don't know where 2 the 90 percent comes from. I don't recall saying 3 anything to that effect. 4 Q. And on Page 2 of this article in the second 5 paragraph there are quotes attributable to you that 6 say, "It seems to be a break-through to us. It makes 7 a lot of sense in the technology and what's being 8 done in trying to create better permeability, a 9 better channel, flow pass for the fluid in the rock 10 and I think intuitively it makes sense that it works 11 best in the dry gas areas." 12 And that was your view back in 13 February 2011, was it not? 14 A. It was. 15 Q. And did your view about the HiWAY hydraulic 16 fracturing technique change after that? 17 A. You know, we entered into our agreement 18 with BHP in July of 2011. I might have gotten a 19 little bit more knowledgeable of how these, you know, 20 increased performance numbers would have occurred 21 over that next four or five months, but not much, and 22 I would tell you that once we did the merger my 23 knowledge of the details of this type of stuff became 24 almost nonexistent. They didn't let me do that kind 25 of stuff when I went to BHP, certainly not talk to</p>	<p style="text-align: right;">Page 80</p> <p>1 are so exceptional because the shale is some 250 feet 2 thick over a 50- by 25-mile swath and is 100 percent 3 net pay. The pressure gradient, while not as high as 4 the Haynesville, is still above normal at 0.65." 5 Is that consistent with what you saw 6 back in July 2010? 7 A. Yeah. I don't attribute the 5 8 million-dollar well cost. That's not in a quote, 9 thank God. I -- I don't think I ever said that. You 10 didn't quote me on that. 11 Q. And I was going to ask you about that 12 because in between the two quotes then is the 13 paragraph that says, "Well costs in the Eagle Ford 14 continue to drop to below \$5 million currently 15 compared with the company's Haynesville wells that 16 are now costing about 9 million." 17 A. Well, again, I don't see quotes around 18 that. Floyd might have said it. If I said it, I 19 was -- I can't imagine I would have said that. We 20 never even came close to a well at 5 million bucks. 21 So, I don't know where that came from. 22 Q. Then I'm going to skip to 2013. 23 (Exhibit 863 marked) 24 Q. (BY MR. FLEGLE) I've marked as Exhibit 863 25 something out of Fool Australia that seems to be</p>
<p style="text-align: right;">Page 79</p> <p>1 the press. 2 (Exhibit 862 marked) 3 Q. (BY MR. FLEGLE) I've got a press article in 4 March of 2011. I've marked it as Exhibit 862, and I 5 wanted to ask you a question or two about Page 6 of 6 9. It's got a PL -- 7 A. I don't see where the page numbers are. 8 Q. They are at the top -- upper right-hand 9 corner at the top. 10 A. Okay. Got it. 11 Q. The context here is Eagle Ford shale in 12 areas in south Texas. And the quotation here, I just 13 wanted to see if this is consistent with what you 14 were thinking in 2011 -- or actually this was offered 15 in a July statement. So, I guess that would have 16 been 2010. Quote, "It's going to be very, very 17 commercial." Quote, "We've already proven it. With 18 this kind of gas in place, it almost has to be" -- 19 and it says "commercial." 20 Was that your view in 2010 of the 21 Eagle Ford? 22 A. I don't think it's terribly inaccurate, no. 23 Q. And then there is another quote that I 24 believe is attributed to you, which is the third 25 paragraph under Petrohawk. "The gas in place numbers</p>	<p style="text-align: right;">Page 81</p> <p>1 following the BHP Billiton transaction. 2 A. Right. 3 Q. It's dated August 6, 2013. And in the 4 first paragraph it says, "Mining heavyweight BHP 5 Billiton is set to win big from the acquisition of 6 Petrohawk Energy which it purchased for \$15 billion 7 in 2011 - with Petrohawk's former president, Richard 8 Stoneburner, declaring that the value of the deal is 9 highlighted by the Eagle Ford shale region's 10 tremendous returns." 11 Was that your view of the Eagle Ford's 12 region's return in 2013? 13 A. You know, I would, but I think you have to 14 qualify it in terms of where specifically the 15 tremendous returns were versus the good returns 16 versus the average returns versus the poor returns. 17 The tremendous returns were generally located in the 18 what we call Blackhawk region in DeWitt County. By 19 this time of commodity price environment, you know, 20 while there were still some really commercial areas 21 to drill in our original Blackhawk area and the STS 22 leases in particular, a lot of those were challenged 23 at this particular time. So, my tremendous statement 24 would have been mainly directed at our Blackhawk 25 asset.</p>

21 (Pages 78 to 81)

Page 82	Page 84
<p>1 MR. FLEGLE: Okay. And thanks. I</p> <p>2 just have to object as nonresponsive.</p> <p>3 Q. (BY MR. FLEGLE) And then the statement is</p> <p>4 made a little bit lower, "Even with gas prices</p> <p>5 currently sitting at around U.S. \$3.45 per thousand</p> <p>6 cubic feet, Stoneburner stated that BHP will likely</p> <p>7 still make attractive returns from the region."</p> <p>8 Was that an accurate representation of</p> <p>9 your beliefs in August of 2013?</p> <p>10 A. I think that's what I just answered, that,</p> <p>11 you know, certain areas were tremendous, certain</p> <p>12 areas were attractive. There's two totally different</p> <p>13 connotations to those two words.</p> <p>14 Q. Okay. Now, as of the -- well, let me back</p> <p>15 up.</p> <p>16 In 2011 there was a transaction in</p> <p>17 which BHP Billiton purchased Petrohawk Energy,</p> <p>18 loosely speaking. Right?</p> <p>19 A. Merged.</p> <p>20 Q. Merged, okay. Was that what is called in</p> <p>21 the securities law parlance or the disclosure</p> <p>22 parlance as a change of control?</p> <p>23 A. Yes.</p> <p>24 (Exhibit 864 marked)</p> <p>25 Q. (BY MR. FLEGLE) Let me show you -- I just</p>	<p>1 vesting of restricted stock options, other, and a</p> <p>2 total for Mr. Wilson, Mr. Mize, yourself, Mr. Helm,</p> <p>3 and Mr. Herrod, all of which are -- all of you are</p> <p>4 officers of Petrohawk Energy, were you not?</p> <p>5 A. Executive officers.</p> <p>6 Q. My question to you is: After the BHP</p> <p>7 Billiton transaction, were each of you compensated</p> <p>8 according to the total column there following change</p> <p>9 of control?</p> <p>10 A. I can't speak for the others, but I suspect</p> <p>11 I was probably compensated as directed in this.</p> <p>12 Q. Okay. And so, once the BHP Billiton</p> <p>13 transaction was completed, you had total payments,</p> <p>14 severance, early vesting, and other of \$4,379,163?</p> <p>15 A. If you say so. I mean, I didn't -- I</p> <p>16 haven't checked my bank account recently but, yeah,</p> <p>17 it was substantial.</p> <p>18 Q. Okay. Good enough. And then if we turn</p> <p>19 over to Page 424, I just wanted to confirm -- that's</p> <p>20 going to be a partial page that's blank, and it's the</p> <p>21 page that's just before 42. There's a summary</p> <p>22 compensation table.</p> <p>23 Do you see that?</p> <p>24 A. Uh-huh.</p> <p>25 Q. And then the first compensation disclosure</p>
Page 83	Page 85
<p>1 want to make sure that I've got this -- these in</p> <p>2 context. I'll mark as Exhibit 864 what is called a</p> <p>3 Schedule 14A that is a proxy statement for Petrohawk</p> <p>4 Energy Corporation, and this is -- do I have a date</p> <p>5 here?</p> <p>6 A. April --</p> <p>7 Q. The next page with Mr. Wilson's letter is</p> <p>8 April 2011. I wanted to turn your attention first to</p> <p>9 Page 18, and the pages are a little bit funky --</p> <p>10 A. I've got it. Well, there's nothing on 18.</p> <p>11 Q. Yeah, but the page before that is</p> <p>12 management.</p> <p>13 A. Okay. Right.</p> <p>14 Q. Let's see. Is that the right page? No,</p> <p>15 that's not the page --</p> <p>16 A. There's not a whole lot of interesting</p> <p>17 reading on that page.</p> <p>18 Q. Not much interesting reading. Let's go to</p> <p>19 Page 40.</p> <p>20 A. Okay.</p> <p>21 Q. And on Page 40 there is a -- it is part of</p> <p>22 a section that a few -- a few pages earlier it's</p> <p>23 titled Termination Provisions and Severance Payments,</p> <p>24 and there's a section that says, "Following change of</p> <p>25 control," and it has severance payments, early</p>	<p>1 is for Mr. Wilson for 2010, 2009, and 2008.</p> <p>2 Am I reading that right?</p> <p>3 A. Uh-huh.</p> <p>4 Q. And then there is a disclosure for Mr. Mize</p> <p>5 and then there's a disclosure for you, Mr.</p> <p>6 Stoneburner, for 2010, 2009, 2008, correct?</p> <p>7 A. Uh-huh, yes.</p> <p>8 Q. And do you have any reason to believe that</p> <p>9 the disclosures for you or Mr. Wilson in this proxy</p> <p>10 Schedule 14A are inaccurate?</p> <p>11 A. I have no reason to believe so.</p> <p>12 Q. You have given some presentations on the</p> <p>13 Eagle Ford, have you not, sir?</p> <p>14 A. Lots of them.</p> <p>15 (Exhibit 865 marked)</p> <p>16 Q. (BY MR. FLEGLE) I'm marking as Exhibit 865</p> <p>17 a presentation before the American Association of</p> <p>18 Petroleum Geologists.</p> <p>19 A. Correct.</p> <p>20 Q. Are you a member of that association?</p> <p>21 A. I am.</p> <p>22 Q. And this -- this presentation -- let me</p> <p>23 just -- did you prepare this presentation?</p> <p>24 A. Largely, yes. I mean, I had some support</p> <p>25 from staff members and Core Lab in particular. But</p>

22 (Pages 82 to 85)

<p style="text-align: right;">Page 86</p> <p>1 yes.</p> <p>2 Q. Yeah. As a matter of fact, in the</p> <p>3 next-to-last page, Slide 50, you made acknowledgments</p> <p>4 to all those people?</p> <p>5 A. Correct.</p> <p>6 Q. Okay. Was -- and this presentation has</p> <p>7 "Distinguished Lecturer" on the front page.</p> <p>8 Is that what you were at this</p> <p>9 presentation?</p> <p>10 A. The APG has a series of distinguished</p> <p>11 lectures every year that they sponsor to go around</p> <p>12 the country to various organizations to talk on</p> <p>13 geological topics.</p> <p>14 Q. And did you make this presentation?</p> <p>15 A. Many times, yes.</p> <p>16 Q. The -- the bottom of the first page has --</p> <p>17 looks like a date of 11.1.12, which looks like to me</p> <p>18 to be November 2012, and the second page has got a</p> <p>19 date reference in the slide of winter 2013.</p> <p>20 Do you have -- do you know when the</p> <p>21 presentation was made?</p> <p>22 A. Well, like I said, I made it many times.</p> <p>23 The way the tour was scheduled with APG dictating</p> <p>24 where I went, I had a winter tour and I had a spring</p> <p>25 tour or a late '12 tour, early '13 tour as it turned</p>	<p style="text-align: right;">Page 88</p> <p>1 dramatic change in all of the shale plays in 2006,</p> <p>2 particularly the Barnett, which was already</p> <p>3 established. But it was that in my estimation --</p> <p>4 this is my interpretation of history -- that we did</p> <p>5 not have any clue on how to complete horizontal shale</p> <p>6 wells prior to the development of the isolated</p> <p>7 multi-stage hydraulic fracturing process and we</p> <p>8 didn't do that prior to 2006.</p> <p>9 Q. But that understanding of that process you</p> <p>10 just described occurred in 2006?</p> <p>11 A. I wouldn't say the understanding of it.</p> <p>12 The advent of the technology. I don't think we</p> <p>13 understood how, you know, significant it was until</p> <p>14 you start getting data such as this that's presented</p> <p>15 and hard to argue.</p> <p>16 Q. Got you. Let me turn your attention to</p> <p>17 Slide No. 7.</p> <p>18 A. Okay.</p> <p>19 Q. If you were describing what this chart on</p> <p>20 this slide shows, what does it show?</p> <p>21 A. It shows the Gulf Coast and part of</p> <p>22 Maverick Basin components of the Eagle Ford shale</p> <p>23 trend with the respective structural features that</p> <p>24 helped define the distribution of the Eagle Ford.</p> <p>25 Q. Let me turn your attention to Slide 13.</p>
<p style="text-align: right;">Page 87</p> <p>1 out was basically the winter, all of that.</p> <p>2 So, anyway. So, this was the -- the</p> <p>3 November tour, then I had a subsequent tour in</p> <p>4 January, February.</p> <p>5 Q. Okay.</p> <p>6 A. One east, one west.</p> <p>7 Q. I just want to ask you a question about</p> <p>8 just a couple, three of these slides. On Slide</p> <p>9 No. 2 --</p> <p>10 A. Okay.</p> <p>11 Q. You have several bullets about the brief</p> <p>12 history of shale exploration, and the last bullet</p> <p>13 says, "In 2006, the use of isolated multi-stage</p> <p>14 completions was proven to be successful, which was</p> <p>15 the true game-changer for horizontal drilling and</p> <p>16 shale reservoirs."</p> <p>17 Is that something that was publicly</p> <p>18 known in 2006?</p> <p>19 MR. BEITER: Objection. Form.</p> <p>20 Q. (BY MR. FLEGLE) Or is this something that</p> <p>21 you knew and the people in the industry knew but it</p> <p>22 really wasn't generally known?</p> <p>23 A. Game-changers aren't usually understood</p> <p>24 until after the fact. And if you look at the next</p> <p>25 slide you can see -- after the fact you can see a</p>	<p style="text-align: right;">Page 89</p> <p>1 A. There will be a test on that. You have to</p> <p>2 tell me what I just told you because I don't think</p> <p>3 are you understood it at all. I'm sorry. I'm not</p> <p>4 supposed to be flippant, am I?</p> <p>5 Q. Do you see Slide 13?</p> <p>6 A. I do.</p> <p>7 Q. That's the Hawkville field, which is --</p> <p>8 which is the field that includes McMullen and LaSalle</p> <p>9 Counties. Right?</p> <p>10 A. That's correct.</p> <p>11 Q. And it's in late 2008 is when this map</p> <p>12 depicts the acreage. Right?</p> <p>13 MR. BEITER: Objection. Form.</p> <p>14 A. It is a very broad map, I acknowledge that.</p> <p>15 There's more control than exists, but these were the</p> <p>16 first two wells that we drilled, yes.</p> <p>17 Q. (BY MR. FLEGLE) All right. And the map</p> <p>18 says, "Fall 2008 Petrohawk acreage position," and</p> <p>19 it's got the squiggly line, approximately 160,000 net</p> <p>20 acres.</p> <p>21 Now, as of late 2008 were all those</p> <p>22 160,000 net acres in the Petrohawk Energy name?</p> <p>23 A. I couldn't tell you. I don't know if we</p> <p>24 had assigned those leases that First Rock had taken</p> <p>25 into Petrohawk at the time or not because you had a</p>


23 (Pages 86 to 89)

<p style="text-align: right;">Page 90</p> <p>1 very broad date there. So, I don't know when it all 2 occurred.</p> <p>3 Q. Okay. And in terms of the Petrohawk Energy 4 STS-1H, up until the time of the first production in 5 October 2008 was that well listed as First Rock 6 operator?</p> <p>7 A. It was.</p> <p>8 Q. And then how about the Dora Martin 1H? Up 9 until first production in January 2009 was it listed 10 as First Rock operator?</p> <p>11 A. Again, up until when, I'm not exactly sure. 12 The normal process for changing an operator is 13 through the filing of the completion papers with the 14 Railroad Commission, and at that time you have the 15 opportunity to change the name of the operator. 16 That's probably when we did it. So, if that's what 17 the completion papers were filed, then that's when it 18 occurred. It probably wasn't actually at first 19 production but shortly after that.</p> <p>20 Q. Let me ask you about Slide 41.</p> <p>21 A. Okay.</p> <p>22 Q. Slide 41 there says, "3D seismic data 23 critical to a successful development program." 24 Am I correct in reading that the two 25 main counties that are on this slide are LaSalle and</p>	<p style="text-align: right;">Page 92</p> <p>1 The Eagle Ford fracs like a dream." 2 Was that your view in July 2009?</p> <p>3 A. In a very broad-brush statement, yes. 4 Q. And then in the next paragraph the 5 statement is made, "Certainly the Eagle Ford is more 6 amenable to drilling and completion work than its 7 pricklier cousin. Unlike the Haynesville, the Eagle 8 Ford does not require large volumes of high-strength 9 propanant." 10 Was that your view in July 2009?</p> <p>11 A. It was. It was still being formulated. I 12 think we had pumped a little bit of what's called 13 resin-coated sand in the Eagle Ford, but we had 14 concluded that it probably didn't require it and we 15 pumped regular -- what we call white sand. So, yes. 16 Q. And then in the next paragraph, the writer 17 in the article says, "The company," which I believe 18 she's referring to Petrohawk Energy, "believes 19 potential estimated ultimate recoveries of Eagle Ford 20 horizontal wells will likely fall between 4 and 7 21 billion cubic feet equivalent apiece." And then it 22 says, "Drilling costs are plummeting. Petrohawk's 23 initial horizontal tests cost \$12 million and took 24 more than 75 days to drill while its latest well was 25 drilled for \$4 and a half million in just 22 days."</p>
<p style="text-align: right;">Page 91</p> <p>1 McMullen?</p> <p>2 A. Yes. Live Oak is the one to the -- to the 3 east.</p> <p>4 Q. To the east? And these lands are in large 5 part -- I'm sorry. The acreage that is depicted 6 within the blue line is in large part, if not in 7 total, on the South Texas Syndicate mineral interest, 8 is it not?</p> <p>9 A. Oh, no. I wouldn't even say -- it might be 10 half. That -- that block outlined in blue is 11 probably on the order of 200 to 250,000 acres, I 12 would guess. I could be wrong, but it's -- it's -- 13 it's not certainly all South Texas Syndicate. It is 14 a good portion of it.</p> <p>15 Q. And one last -- one last exhibit for you, 16 Exhibit 623. This is -- this is an article by a 17 writer, Peggy Williams, in the Oil and Gas Investor, 18 July 1, 2009. And I wanted to turn your attention to 19 the third page. And about, oh, 4 inches down there 20 are some quotes. You see at the first -- the quote 21 that starts "The Eagle Ford's carbonate"? 22 A. Yes, I see that.</p> <p>23 Q. "The Eagle Ford's carbonate content is 24 70 percent in some places and clay content is very 25 low, says Stoneburner. It makes completions easier.</p>	<p style="text-align: right;">Page 93</p> <p>1 Are -- is it your view here in this 2 deposition today that that statement about the 4 and 3 a half million was just flat wrong?</p> <p>4 A. No, no. Now it's apparent to me. It was 5 drilled for \$4 and a half million. It wasn't drilled 6 and completed for \$4 and a half million. The 7 completion -- as I said, completion cost is generally 8 about 60 percent of the total cost, both fracture 9 stimulation, surface equipment, such as that. So, 10 no, that is a consistent statement of -- call it four 11 or \$5 million to drill a well. We actually got those 12 drilling days down to, you know, probably in the low 13 teens. It doesn't take a lot of the cost off. You 14 know, the spread rate is probably \$75,000 a day, 15 hundred thousand dollars a day maybe. So, if you 16 take another eight days off of that you might, you 17 know, take a little bit more off of it. But that -- 18 that is where that statement was attributable to. 19 The drilling cost was plus or minus \$5 million.</p> <p>20 Q. And the next sentence has a quote, "We have 21 eliminated a host of cost such as drilling pilot 22 holes and setting intermediate casing. The pressure 23 is not high and these are not troublesome rocks to 24 drill." 25 Was that your view in July 2009?</p>

24 (Pages 90 to 93)

<div>Page 94</div> <div><div>1A. Generally speaking, yes.</div><div>2Q. And then the next paragraph -- and I'm just</div><div>3about through here -- the writer says, "The sharply</div><div>4lower drilling and completion costs have immediate</div><div>5effects on the play's metrics and the quote is, 'We</div><div>6are drilling some \$5 million for 5 BCFE or more. The</div><div>7economics are off the chart.'"</div><div>8Was that your view of the Eagle Ford</div><div>9wells in July 2009?</div><div>10A. Well, again, if -- if -- if there was an</div><div>11implication that we drilled and completed these wells</div><div>12for 5 million, that was an improper implication. We</div><div>13didn't drill them that cheaply. Other than that,</div><div>14it's accurate.</div><div>15Q. And in your view back in July 2009 the</div><div>16economics were off the chart?</div><div>17A. Oh, I mean, I'm talking to a reporter,</div><div>18okay? It's not a lie. It's good economics.</div><div>19MR. FLEGLE: I'll pass the witness.</div><div>20MR. NETTLES: Let's take a short</div><div>21break.</div><div>22MR. BEITER: Let's take a break.</div><div>23VIDEOGRAPHER: Off the record. The</div><div>24time is 12:12.</div><div>25(Recess from 12:12 p.m. to 12:21 p.m.)</div></div>	<div>Page 96</div> <div><div>1thought about it, we might have driven costs down to</div><div>2that low for a period of time. They didn't stay</div><div>3there because we drilled longer laterals, we did</div><div>4this, we did that. Well costs -- you know, service</div><div>5costs went through the roof. So, anyway, that's my</div><div>6recollection.</div><div>7MR. FLEGLE: Okay. Very good. Thank</div><div>8you very much.</div><div>9MR. BEITER: Thank you.</div><div>10VIDEOGRAPHER: Off the record at</div><div>1112:23.</div><div>12(Whereupon the deposition was adjourned.)</div><div>13</div><div>14</div><div>15</div><div>16</div><div>17</div><div>18</div><div>19</div><div>20</div><div>21</div><div>22</div><div>23</div><div>24</div><div>25</div></div>
<div>Page 95</div> <div><div>1VIDEOGRAPHER: On the record. The</div><div>2time is 12:21.</div><div>3MR. FLEGLE: We're going to reserve</div><div>4our questions for Mr. Stoneburner until the time of</div><div>5trial. Thank you very much, Mr. Stoneburner.</div><div>6MR. NETTLES: I have no questions.</div><div>7A. Do I have an opportunity to kind of add an</div><div>8addendum to the last question that was posed or --</div><div>9MR. FLEGLE: I mean, sure.</div><div>10A. It's regarding the well cost.</div><div>11MR. FLEGLE: Yeah. I'll tell you</div><div>12what. If you've got the tape, that's fine. Or you</div><div>13can put it on the record here.</div><div>14A. We have discussed it numerous times, the 5</div><div>15million-dollar well cost that I kind of dismissed as</div><div>16unfeasible.</div><div>17The more I thought about it in the</div><div>18time frame of 2009 before service costs went where</div><div>19they were and before we drilled longer laterals and</div><div>20before we tightened up our -- our purse, all I'm</div><div>21going to say is that the more I thought about it it</div><div>22probably was -- maybe we drilled some wells for that</div><div>23and the thought was we can continue that. Again,</div><div>24this is all recollection. But I don't want to -- I</div><div>25dismissed it out of hand early on. The more I</div></div>	<div>Page 97</div> <div><div>1CHANGES AND SIGNATURE</div><div>2PAGE LINE CHANGE REASON</div><div>3</div><div>4</div><div>5</div><div>6</div><div>7</div><div>8</div><div>9</div><div>10</div><div>11</div><div>12</div><div>13</div><div>14</div><div>15</div><div>16</div><div>17</div><div>18</div><div>19</div><div>20</div><div>21</div><div>22</div><div>23</div><div>24</div><div>25</div></div>

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<p style="text-align: right;">Page 98</p> <p>1 I, RICHARD STONEBURNER, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5 _____</p> <p>6 RICHARD STONEBURNER</p> <p>7</p> <p>8 THE STATE OF _____)</p> <p>9 COUNTY OF _____)</p> <p>10</p> <p>11 Before me, _____, on this</p> <p>12 day personally appeared RICHARD STONEBURNER, known to</p> <p>13 me or proved to me on the oath of _____</p> <p>14 or through _____ (description of</p> <p>15 identity card or other document) to be the person</p> <p>16 whose name is subscribed to the foregoing instrument</p> <p>17 and acknowledged to me that he/she executed the same</p> <p>18 for the purpose and consideration therein expressed.</p> <p>19 Given under my hand and seal of office on this</p> <p>20 ____ day of _____ 2014.</p> <p>21</p> <p>22 _____</p> <p>23 NOTARY PUBLIC IN AND FOR</p> <p>24 THE STATE OF _____</p> <p>25 My Commission Expires: _____</p>	<p style="text-align: right;">Page 100</p> <p>1 taken, the following includes all parties of record</p> <p>2 and the amount of time used by each party at the time</p> <p>3 of the deposition:</p> <p>4 Jim L. Flegle (2h22m)</p> <p>5 Attorney for Plaintiff</p> <p>6</p> <p>7 That a copy of this certificate was served on</p> <p>8 all parties shown herein on _____</p> <p>9 and filed with the Clerk.</p> <p>10 I further certify that I am neither counsel for,</p> <p>11 related to, nor employed by any of the parties in the</p> <p>12 action in which this proceeding was taken, and</p> <p>13 further that I am not financially or otherwise</p> <p>14 interested in the outcome of this action.</p> <p>15 Further certification requirements pursuant to</p> <p>16 Rule 203 of the Texas Code of Civil Procedure will be</p> <p>17 complied with after they have occurred.</p> <p>18 Certified to by me on this 4th day of</p> <p>19 February, 2014.</p> <p>20</p> <p>21 </p> <p>22 Shauna Foreman, CSR</p> <p>23 Texas CSR 3786</p> <p>24 Expiration: 12/31/2014</p> <p>25 Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> <p>Firm No. 631</p>
<p style="text-align: right;">Page 99</p> <p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT</p> <p>3)</p> <p>4 vs.) BEXAR COUNTY, TEXAS</p> <p>5)</p> <p>6 JP MORGAN CHASE BANK, N.A.)</p> <p>7 INDIVIDUALLY/CORPORATELY)</p> <p>8 AND AS TRUSTEE OF THE)</p> <p>9 SOUTH TEXAS SYNDICATE)</p> <p>10 TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT</p> <p>11</p> <p>12</p> <p>13 REPORTER'S CERTIFICATE</p> <p>14 ORAL VIDEOTAPED DEPOSITION OF RICHARD STONEBURNER</p> <p>15 February 4, 2014</p> <p>16</p> <p>17 I, Shauna Foreman, Certified Shorthand Reporter</p> <p>18 in and for the State of Texas, hereby certify to the</p> <p>19 following:</p> <p>20 That the witness, RICHARD STONEBURNER, was duly</p> <p>21 sworn and that the transcript of the deposition is a</p> <p>22 true record of the testimony given by the witness;</p> <p>23 That the deposition transcript was duly</p> <p>24 submitted on _____ to the witness or to</p> <p>25 the attorney for the witness for examination,</p> <p>signature, and return to me by</p> <p>_____.</p> <p>That pursuant to information given to the</p> <p>deposition officer at the time said testimony was</p>	<p style="text-align: right;">Page 101</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203</p> <p>2</p> <p>3 The original deposition was/was not returned to</p> <p>4 the deposition officer on _____.</p> <p>5 If returned, the attached Changes and Signature</p> <p>6 page(s) contain(s) any changes and the reasons</p> <p>7 therefor.</p> <p>8 If returned, the original deposition was</p> <p>9 delivered to Jim L. Flegle, Custodial Attorney.</p> <p>10 \$_____ is the deposition officer's charges to</p> <p>11 the Plaintiff for preparing the original deposition</p> <p>12 and any copies of exhibits;</p> <p>13 The deposition was delivered in accordance with</p> <p>14 Rule 203.3, and a copy of this certificate, served on</p> <p>15 all parties shown herein, was filed with the Clerk.</p> <p>16 Certified to by me on this ____ day of</p> <p>17 _____, 2014.</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22 _____</p> <p>23 Shauna Foreman, CSR</p> <p>24 Texas CSR 3786</p> <p>25 Expiration: 12/31/2014</p> <p>Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p>

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Transcript of the Testimony of
Paschall Tosch

Date:

February 11, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

PASCHALL TOSCH

February 11, 2014

ORAL VIDEOTAPED DEPOSITION OF PASCHALL TOSCH,
produced as a witness at the instance of the
Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on February 11, 2014,
from 1:01 p.m. to 2:29 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Hunton & Williams, 700 Louisiana,
Suite 4200, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

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Justin Dickenson, Videographer

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VIDEOGRAPHER: The date is

February 11, 2014. The time is 1:01 p.m. Beginning

of the deposition of Paschall Tosch. We are on the

record.

PASCHALL TOSCH,

having been first duly sworn, testified as follows:

EXAMINATION

Q. (BY MR. CHRISTIAN) Mr. Tosch, could I ask

you to state your name for the record, sir?

A. Yes. It's Paschall Tosch. Full legal name

is actually William Paschall Tosch. I go by

Paschall.

Q. Thank you. Have you ever been deposed

before, Mr. Tosch?

A. Once before.

Q. And what was that in connection with?

A. It was related to a wrongful or disputed

termination of an employee with a client.

Q. You know that we're here today on behalf of

a lawsuit involving the South Texas Syndicate Trust,

correct?

A. Correct.

Q. This prior deposition had absolutely

nothing to do with the trust department or the STS

trust, correct?

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A. Did not.

Q. And how long ago were you deposed? Do you

recall?

A. Sometime in the last three or four years.

I don't -- don't recall specifically.

Q. I'll just quickly go over the ground rules

of a deposition to probably remind you what you

already know.

Just a couple things that will sort of

help the deposition go smoothly. The first -- and

you're doing a very good job at this already -- is

that when I ask questions, I would appreciate it if

you could answer orally so that the court reporter

can record it.

Do you understand?

A. I do.

Q. And the second thing is that I'll be asking

questions and you'll be giving and answers and

sometimes it will be going back and forth like a

conversation, and I'll ask that you try and refrain

from talking over me and I'll try and do the same for

you because if we don't do that sometimes it can get

jumbled in the record and it just looks a little odd,

okay?

A. Okay.

2 (Pages 2 to 5)

Page 6	Page 8
<p>1 Q. Can you tell me, sir, what your current 2 position at JP Morgan is?</p> <p>3 A. You bet. I serve as the co-head of JP 4 Morgan's oil and gas investment banking group 5 responsible for our activities in the United States.</p> <p>6 Q. And how long have you been the co-head of 7 JP Morgan's oil and gas investment group in the 8 United States?</p> <p>9 A. You know, about a year. It was probably 10 March of 2013 when I took on that responsibility.</p> <p>11 MR. EICHMAN: Just -- just so we're 12 clear, I think he said "oil and gas investment 13 banking." You said just "investment group."</p> <p>14 Q. (BY MR. CHRISTIAN) Fair point. Is that 15 right?</p> <p>16 A. Yes, oil and gas investment banking group.</p> <p>17 Q. So, you say that you were put into this 18 position around March of 2013; is that right?</p> <p>19 A. Correct.</p> <p>20 Q. And what did you do before that?</p> <p>21 A. I had been a senior client exec or coverage 22 banker with the oil and gas group for the last 20 23 plus years.</p> <p>24 Q. You said a senior client executive or 25 coverage --</p>	<p>1 one or two meetings joining to talk about an idea; 2 but, no, I had no meaningful role at all.</p> <p>3 Q. Do you recall the substance of any of those 4 meetings?</p> <p>5 A. I don't.</p> <p>6 Q. Do you recall who was at any of those 7 meetings?</p> <p>8 A. I don't.</p> <p>9 Q. Do you recall when those meetings were?</p> <p>10 A. I definitely do not, no.</p> <p>11 Q. Can you give me a ballpark estimate about 12 how long they might have been?</p> <p>13 MR. EICHMAN: Excuse me. Object to 14 the form.</p> <p>15 A. Yeah, it would be speculating. I'm not -- 16 I don't know.</p> <p>17 Q. (BY MR. CHRISTIAN) And you don't remember 18 anyone else that was at any of those meetings?</p> <p>19 A. I do not, no.</p> <p>20 Q. Do you remember anything about the 21 substance of those meetings?</p> <p>22 A. I don't.</p> <p>23 Q. Did you ever provide coverage -- coverage 24 services for Pioneer Natural Resources?</p> <p>25 A. I have not, no.</p>
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<p>1 A. Coverage banker. Basically an individual 2 responsible for covering clients -- the firm's 3 clients within the oil and gas industry.</p> <p>4 Q. And what do you mean by "covering"?</p> <p>5 A. An investment banking coverage banker is 6 essentially responsible for delivering products and 7 services to that client, both in the context of what 8 an investment bank would normally do, which is 9 providing capital, arranging capital in the public 10 debt market, the public equity market, the private 11 equity market, private debt market, and providing M&A 12 advice to clients on transactions.</p> <p>13 Q. And, more specifically, which clients were 14 under your purview during I guess the last 10 years?</p> <p>15 A. Oh, gosh. I've had, I mean, typically 16 probably 30 clients that would be assigned, you know, 17 that I would have responsibility for. Names change, 18 go in and out from time to time, but --</p> <p>19 Q. Was Petrohawk ever a client of yours?</p> <p>20 A. I'm familiar with the company, but I've 21 never covered -- I did not cover them as the primary 22 coverage banker.</p> <p>23 Q. Did you assist anyone else in covering 24 Petrohawk?</p> <p>25 A. I did not. I potentially could have had</p>	<p>1 Q. Did you ever assist anyone with providing 2 coverage services for Pioneer?</p> <p>3 A. No, I did not.</p> <p>4 Q. Did you ever provide any coverage services 5 for Marubeni, a Japanese company?</p> <p>6 A. No. 7 (Begin confidential portion.)</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

3 (Pages 6 to 9)

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<p>1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 (End confidential portion.) 23 Q. (BY MR. CHRISTIAN) We were talking about 24 Murphy Oil. They have been a client of yours for 10 25 plus years; is that correct?</p>	<p>1 MR. EICHMAN: Object to the form. 2 A. I would be speculating. 3 Q. (BY MR. CHRISTIAN) Do you know if it would 4 be over a hundred million? 5 A. It would be over a hundred. 6 Q. Do you know if it would be over 500 7 million? 8 A. I don't recall. I don't know. 9 Q. Do you know what other banks were involved 10 with that revolving credit line? 11 A. I don't. I know that as is customary with 12 all companies in this business, there are multiple 13 banks. I would estimate it's that same range, 14 between eight and 20, which is pretty common. 15 Q. Do you know how much credit JP Morgan 16 specifically extended to Murphy as part of that 17 banking group? 18 A. I don't. 19 Q. Do you have an estimate on that? 20 A. Again, I would be speculating. 21 Q. Do you know if JP Morgan's share would have 22 been over a hundred million? 23 A. I'm not certain. 24 Q. Do you know if it would have been over 50 25 million?</p>
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<p>1 A. That's correct. 2 Q. And what have you done for Murphy Oil 3 during that time? 4 A. We serve as their lead bank from a 5 commercial -- from a lending standpoint. We agent 6 their revolving credit facility. We have executed at 7 least one public debt offering for them, and we 8 advised the Murphy Oil board last year on the 9 spin-off of their Murphy USA retail business. 10 MR. EICHMAN: Just so we know for 11 purposes of the record, is that latter transaction a 12 public transaction? 13 A. It is. It's public. It was announced and 14 completed in the fall of last year. 15 Q. (BY MR. CHRISTIAN) And is Murphy Oil a 16 public company? 17 A. It is, yes. 18 Q. Okay. You -- you indicated that JP Morgan 19 has served as the lead bank with a revolving line of 20 credit; is that right? 21 A. Correct. 22 Q. Do you know how much that revolving line of 23 credit is for? 24 A. I don't recall. 25 Q. Do you have a -- an estimate?</p>	<p>1 MR. EICHMAN: Object to the form. 2 A. Yeah, I would be speculating. 3 Q. (BY MR. CHRISTIAN) You also indicated that 4 you assisted Murphy -- pardon me. 5 Would the amount of credit that JP 6 Morgan has provided to Murphy Oil be reflected in JP 7 Morgan's documents? 8 A. Yes. 9 Q. And that would be true for the last 10 10 years? 11 A. I'm not sure how long we keep that data, 12 but certainly for an extended period of time, yes. 13 Q. Okay. And you indicated that JP Morgan has 14 assisted Murphy Oil with a public debt offering; is 15 that right? 16 A. Correct. 17 Q. Can you tell me what that entailed? 18 A. You know, I don't recall the size or the 19 exact timing. I do -- I just recall we've done one 20 in the last couple of years for them. 21 Q. And you also indicated that JP Morgan had 22 advised Murphy Oil on a spin-off regarding Murphy 23 Oil's retail business; is that right? 24 A. It's basically gas stations that they have 25 on Wal-Mart parking lots. You may have seen them.</p>

4 (Pages 16 to 19)

Page 20	Page 22
<p>1 So, it's a retail gasoline distribution business.</p> <p>2 Q. Okay. And they sold that business off?</p> <p>3 A. They spun it off to their shareholders in a</p> <p>4 tax-free spin-off.</p> <p>5 Q. Okay. And JP Morgan assisted them with</p> <p>6 that?</p> <p>7 A. Yes.</p> <p>8 Q. And how long did that process take?</p> <p>9 A. You know, it lasted over probably about a</p> <p>10 two-year period from beginning to end.</p> <p>11 Q. Do you recall the value of that deal?</p> <p>12 A. You know, it all runs together. We could</p> <p>13 look on the screen and see what it's worth today, but</p> <p>14 it's, you know, a couple billion dollars.</p> <p>15 Q. Do you know who acts as the coverage</p> <p>16 executive for Petrohawk at JP Morgan?</p> <p>17 MR. EICHMAN: Currently?</p> <p>18 Q. (BY MR. CHRISTIAN) Well, during the last 10</p> <p>19 years.</p> <p>20 A. I don't recall. They probably had several.</p> <p>21 I never covered them. I don't recall who -- who was</p> <p>22 involved.</p> <p>23 Q. But that would be reflected in JP Morgan's</p> <p>24 documents, obviously?</p> <p>25 A. It would, yes.</p>	<p>1 responsibility and then I cover them from an</p> <p>2 investment banking perspective here in the U.S.</p> <p>3 Q. And how do you spell Fuessel?</p> <p>4 A. F-U-E-S-S-E-L, I think. That's pretty</p> <p>5 close. It may not be perfect.</p> <p>6 Q. Do you know where Mr. Fuessel is located?</p> <p>7 A. He -- yes. He is in our Houston office.</p> <p>8 Q. And you mentioned you did something for</p> <p>9 Reliance USA yourself as part of the investment</p> <p>10 banking side of things; is that right?</p> <p>11 A. Correct.</p> <p>12 Q. Can you describe what you personally have</p> <p>13 done with regard to Reliance USA?</p> <p>14 A. Very little to this point. My role has</p> <p>15 largely been over -- I probably met Walter, I don't</p> <p>16 know -- who is the CEO -- within the last three</p> <p>17 years, I would say. I don't recall exactly when.</p> <p>18 And my focus has been primarily visiting with him to</p> <p>19 try to understand statistically from an acquisition</p> <p>20 standpoint, you know, where he might be interested in</p> <p>21 expanding his business.</p> <p>22 Q. Did you assist Reliance USA with any</p> <p>23 acquisitions in -- of mineral estates in south Texas?</p> <p>24 A. No.</p> <p>25 Q. Can you tell me what you did assist</p>
Page 21	Page 23
<p>1 Q. And did you act as the coverage executive</p> <p>2 for Reliance Industries, Ltd.?</p> <p>3 A. No, no.</p> <p>4 Q. Do you know who did?</p> <p>5 A. Give me the name of the company again.</p> <p>6 Q. Reliance Industries, Ltd.</p> <p>7 A. Is that a foreign company or U.S. company</p> <p>8 or --</p> <p>9 Q. That is a foreign company. It's a company</p> <p>10 based in India is my understanding.</p> <p>11 A. Okay. I do not cover it. I'm not sure who</p> <p>12 the coverage banker is for Reliance.</p> <p>13 MR. EICHMAN: For Reliance Industries,</p> <p>14 Ltd.?</p> <p>15 THE WITNESS: Correct.</p> <p>16 Q. (BY MR. CHRISTIAN) Do you know who might</p> <p>17 act as a coverage executive for any other Reliance</p> <p>18 entities that are related to the Indian parent</p> <p>19 company?</p> <p>20 A. The -- the only one that I have some</p> <p>21 knowledge of is Reliance USA.</p> <p>22 Q. And who acts as the coverage executive for</p> <p>23 Reliance USA?</p> <p>24 A. The -- Ryan Fuessel, who works within the</p> <p>25 JP Morgan Chase commercial bank, has primary coverage</p>	<p>1 Reliance USA with specifically as far as the services</p> <p>2 you provided?</p> <p>3 A. I've really talked to him about two or</p> <p>4 three different ideas -- spent time with him trying</p> <p>5 to understand what he would like to do next in terms</p> <p>6 of growing his business and then talked with him</p> <p>7 about some different ideas of companies that, you</p> <p>8 know, might be willing to sell assets, things like</p> <p>9 that.</p> <p>10 Q. Do you know whether anyone at JP Morgan has</p> <p>11 assisted either Reliance USA or Reliance Industries,</p> <p>12 Ltd., which is the Indian parent company, with</p> <p>13 acquisitions of mineral acreage in south Texas?</p> <p>14 A. Not to my knowledge.</p> <p>15 Q. Do you know who would know?</p> <p>16 MR. EICHMAN: Object to the form of</p> <p>17 the question. He just answered the question.</p> <p>18 Q. (BY MR. CHRISTIAN) Well, do you know that</p> <p>19 nobody at JP Morgan assisted either of those Reliance</p> <p>20 entities with acquisition of mineral acreage in south</p> <p>21 Texas?</p> <p>22 A. I have no knowledge. I certainly did not,</p> <p>23 and I have no knowledge that anyone else has. I</p> <p>24 can't speculate that someone might. I just don't</p> <p>25 know.</p>

5 (Pages 20 to 23)

<p style="text-align: right;">Page 24</p> <p>1 Q. Would you be in a position where it would 2 be likely that you would know if somebody had 3 assisted one of the two Reliance Industry -- 4 A. No, I would not know. 5 Q. You would not know? 6 A. No. 7 Q. Do you know who would know? 8 A. I don't, no. 9 MR. EICHMAN: And you're including 10 Reliance U.S. and Reliance Industries, Ltd.? 11 MR. CHRISTIAN: Yes. 12 A. I don't -- I don't know. 13 MR. EICHMAN: Are you representing to 14 this witness that Reliance Industries, Ltd. has 15 acquired interests in south Texas? 16 MR. CHRISTIAN: I'm just asking what 17 he knows. 18 Q. (BY MR. CHRISTIAN) Can you tell me where 19 your physical office is located here in Houston? 20 A. In the old Texas Commerce Bank building. 21 Q. And what's the address? 22 A. It's got about three, but mine is on 23 Travis. 24 Q. And how long have you been there? 25 A. In that building?</p>	<p style="text-align: right;">Page 26</p> <p>1 A. I do not. 2 Q. And can you tell me again what specific JP 3 Morgan entity that you're actually with? 4 A. Sure. I work for JP Morgan Securities, 5 which is the investment banking arm of JP Morgan 6 Chase. 7 Q. And you're here today to testify about a 8 couple of interrogatories. Are you aware of that? 9 A. Yes. 10 Q. Let me go ahead and hand you what's been 11 previously marked as Exhibit 841. 12 (Exhibit 841 marked) 13 A. (Witness reviews the document.) 14 Q. (BY MR. CHRISTIAN) And before we actually 15 get into the substance of the interrogatories, is 16 your testimony here today intended to be on behalf of 17 JP Morgan as a whole or is it narrowed to the JP 18 Morgan Securities entity that we just discussed? 19 MR. EICHMAN: Object to the form. 20 He's been noticed as Paschall Tosch. 21 Q. (BY MR. CHRISTIAN) Well, that's all right. 22 We're going to talk about some interrogatories today, 23 and I guess what I want to know is whether or not 24 you're testifying on behalf of one specific JP Morgan 25 entity when you give your answers or are you</p>
<p style="text-align: right;">Page 25</p> <p>1 Q. Yes. 2 A. We moved from the JP Morgan Chase Tower 3 there sometime in the last five to eight years. I 4 don't recall when we moved. 5 Q. And where was the JP Morgan Chase Tower at? 6 A. Just across the street from our current 7 building. 8 Q. And have you ever shared office space here 9 in Houston with JP Morgan's trust department? 10 A. No. 11 Q. Do you know where their office is in 12 Houston? 13 A. I do not. 14 Q. Do you know whether in Dallas JP Morgan 15 investment banking shares office space with JP Morgan 16 trust? 17 A. I don't know. I'm not aware they do, but I 18 don't know. 19 MR. EICHMAN: Just so we're clear, 20 when you say "share office space" are you saying, 21 like, in the same building? 22 MR. CHRISTIAN: Yes, same address. 23 A. Yeah, I'm not sure. 24 Q. (BY MR. CHRISTIAN) Do you know anyone in JP 25 Morgan's trust department in Texas?</p>	<p style="text-align: right;">Page 27</p> <p>1 testifying on behalf of the larger JP Morgan? We can 2 just do that on a point-by-point basis. That's fine. 3 A. I'm not -- I'm not sure I understand the 4 question. I'll just answer the question truthfully 5 that you asked me to what I know. So... 6 Q. Let me ask you this. 7 A. I don't understand. Maybe in the context 8 of when you get there you can raise the question. 9 Q. Exactly. You are not planning to try and 10 limit your testimony today based on specific 11 corporate divisions at JP Morgan, are you? 12 MR. EICHMAN: Object to the form. 13 That's a completely unfair question. Why don't you 14 ask him some meaningful, substantive questions? 15 MR. CHRISTIAN: I'm happy with the 16 questions that I'm asking, John. 17 MR. EICHMAN: Well, I'm not. On that 18 question, we object to the form of the question. Why 19 don't you just ask him some substantive questions? 20 MR. CHRISTIAN: John, why don't you 21 just let me do the depo and you can make your 22 objections? 23 MR. EICHMAN: Why don't you ask some 24 good questions? 25 MR. CHRISTIAN: Well, you know, I like</p>

6 (Pages 24 to 27)

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<p>1 the questions I'm asking. Do you really want to</p> <p>2 argue about that?</p> <p>3 MR. EICHMAN: We'll put it to a vote.</p> <p>4 MR. CHRISTIAN: Well, okay.</p> <p>5 Q. (BY MR. CHRISTIAN) For your benefit, all</p> <p>6 I'm trying to do is make sure I'm getting all of your</p> <p>7 knowledge, and I will ask you that when I do ask the</p> <p>8 question.</p> <p>9 A. I just don't really understand the</p> <p>10 question. I apologize.</p> <p>11 Q. That's -- that's fine. Pardon me.</p> <p>12 Have you seen these interrogatories</p> <p>13 before?</p> <p>14 A. I saw them this morning for the first time.</p> <p>15 Q. Okay. For the first time this morning?</p> <p>16 A. Yes.</p> <p>17 Q. And you can see that you have been</p> <p>18 identified in Interrogatory Nos. 1 and 2 as an</p> <p>19 employee who can testify about the supplemental</p> <p>20 responses as those responses relate to Reliance</p> <p>21 Industries, Ltd., correct?</p> <p>22 MR. EICHMAN: You're talking about on</p> <p>23 1 and 2?</p> <p>24 MR. CHRISTIAN: Yes.</p> <p>25 A. Correct.</p>	<p>1 A. It is correct.</p> <p>2 Q. Are you aware that Pioneer Natural</p> <p>3 Resources and Reliance entered into a joint venture</p> <p>4 on certain Eagle Ford mineral interest around June 23</p> <p>5 of 2010?</p> <p>6 A. Yes, it was common knowledge in the</p> <p>7 industry. It was a large transaction.</p> <p>8 Q. Do you recall how you became aware?</p> <p>9 A. Probably when it was announced, but I don't</p> <p>10 recall.</p> <p>11 Q. And the answer indicates that JP Morgan did</p> <p>12 not provide any assistance to Reliance in connection</p> <p>13 with that joint venture; is that right?</p> <p>14 A. That's correct.</p> <p>15 Q. And going toward my earlier questions,</p> <p>16 you're not aware of any JP Morgan entity that</p> <p>17 provided any assistance, are you?</p> <p>18 A. I'm not, but I -- no, I'm not.</p> <p>19 Q. Would you have reason to be aware, given</p> <p>20 your position, of any JP Morgan entity that would</p> <p>21 have provided assistance in connection with the joint</p> <p>22 venture?</p> <p>23 A. Outside of the investment banking coverage</p> <p>24 world I'm in, no.</p> <p>25 Q. Putting aside the investment banking</p>
Page 29	Page 31
<p>1 Q. (BY MR. CHRISTIAN) I'm going to go ahead</p> <p>2 and read into the record Interrogatory No. 1 and the</p> <p>3 supplemental response just so that we have it.</p> <p>4 "Describe with particularity the</p> <p>5 actions and responsibilities undertaken by you in</p> <p>6 connection with the 2010 joint venture between</p> <p>7 Reliance Industries, Ltd. and Pioneer Natural</p> <p>8 Resources concerning Eagle Ford shale property</p> <p>9 interests and identify your officers, directors, or</p> <p>10 employees best suited to testify about the substance</p> <p>11 of these actions." And then the supplemental</p> <p>12 response indicates, "JP Morgan did not undertake any</p> <p>13 actions or responsibilities in connection with the</p> <p>14 2010 joint venture between Reliance Industries, Ltd.</p> <p>15 and Pioneer Natural Resources concerning Eagle Ford</p> <p>16 shale property interests."</p> <p>17 Did I read that accurately, sir?</p> <p>18 A. You did.</p> <p>19 Q. And it indicates below that that a JP</p> <p>20 Morgan employee who can verify the information in</p> <p>21 this response with regard to Reliance is Paschall</p> <p>22 Tosch; is that correct?</p> <p>23 A. That's correct.</p> <p>24 Q. And to your knowledge is the information in</p> <p>25 this supplemental response accurate?</p>	<p>1 coverage world, is it possible that there is another</p> <p>2 JP Morgan entity that could have provided some</p> <p>3 services in connection with that joint venture?</p> <p>4 A. I wouldn't be aware or have any knowledge.</p> <p>5 So...</p> <p>6 Q. And you indicated that you first saw these</p> <p>7 interrogatories this morning; is that right?</p> <p>8 A. That's right.</p> <p>9 Q. Can you tell me, was this the first time</p> <p>10 this morning that you actually discussed the</p> <p>11 questions?</p> <p>12 A. No. The question was posed to me some time</p> <p>13 ago.</p> <p>14 Q. Okay. Do you remember when it was posed to</p> <p>15 you?</p> <p>16 A. Sometime in the last few months.</p> <p>17 Q. Can you tell me what you did to answer the</p> <p>18 question?</p> <p>19 A. It's pretty straightforward. I -- I had no</p> <p>20 knowledge of the transaction and we were certainly</p> <p>21 doing nothing with Reliance, doing nothing with</p> <p>22 Pioneer, to my knowledge.</p> <p>23 Q. Did you do anything to find out whether any</p> <p>24 other branch of JP Morgan might have been doing</p> <p>25 anything?</p>

7 (Pages 28 to 31)

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<p>1 A. I did not.</p> <p>2 Q. Did you not have any real reason to suspect</p> <p>3 that any part of JP Morgan would be?</p> <p>4 A. No, never gave it a thought.</p> <p>5 Q. Pardon me?</p> <p>6 A. I said I never gave it a thought.</p> <p>7 Q. As we sit here today would you have any</p> <p>8 reason to believe that any JP Morgan entity may have</p> <p>9 been involved in the joint venture?</p> <p>10 A. No.</p> <p>11 Q. If JP Morgan was involved in that joint</p> <p>12 venture, that would be reflected in JP Morgan's</p> <p>13 documents obviously, correct?</p> <p>14 A. Correct.</p> <p>15 Q. So, in preparing to answer this question,</p> <p>16 you used your own knowledge of the industry; is that</p> <p>17 right?</p> <p>18 A. Well, no. I just -- I didn't -- I was not</p> <p>19 involved in any way with the joint venture</p> <p>20 transaction.</p> <p>21 Q. Did you ask around to see if anybody else</p> <p>22 was involved?</p> <p>23 A. No.</p> <p>24 Q. Did you think that you should do that?</p> <p>25 A. No.</p>	<p>1 interests," and it states that "A JP Morgan employee</p> <p>2 who can verify the information in this response is</p> <p>3 Paschall Tosch."</p> <p>4 Have I read that all accurately?</p> <p>5 A. You have, yes.</p> <p>6 Q. To your knowledge, is the supplemental</p> <p>7 response accurate?</p> <p>8 A. It is, yes.</p> <p>9 Q. Are you aware that EOG Resources and</p> <p>10 Reliance Industries, Ltd. negotiating any</p> <p>11 transactions concerning Eagle Ford shale property</p> <p>12 interests?</p> <p>13 A. I am not, no.</p> <p>14 Q. Can you tell me what you did in order to</p> <p>15 determine that this supplemental response was</p> <p>16 accurate?</p> <p>17 A. I've been the coverage banker for EOG for</p> <p>18 many years. We've never had any discussions with EOG</p> <p>19 about any activity in the Eagle Ford.</p> <p>20 Q. And when you say you're the coverage banker</p> <p>21 for EOG, do you recall how long you've been the</p> <p>22 coverage banker for EOG?</p> <p>23 A. 10 plus years. Dating back -- whenever</p> <p>24 they were spun off from Enron, whenever that was.</p> <p>25 Sometime in the last 10 years. I don't recall when.</p>
Page 33	Page 35
<p>1 Q. Can you tell me why not?</p> <p>2 A. My world is focused on raising capital,</p> <p>3 providing advice to our clients on transactions. You</p> <p>4 know, there's nothing else that I would or should be</p> <p>5 involved with.</p> <p>6 Q. Did you talk to Ryan Fuessel about this?</p> <p>7 A. No.</p> <p>8 Q. Did you review any documents?</p> <p>9 A. No.</p> <p>10 Q. Let's go ahead and move on to Interrogatory</p> <p>11 No. 2, which I will again read that into the record</p> <p>12 and then I'll read the supplemental response.</p> <p>13 Interrogatory No. 2 states, "Describe</p> <p>14 with particularity the actions and responsibilities</p> <p>15 undertaken by you in connection with Reliance</p> <p>16 Industries, Ltd.'s investigation of and/or</p> <p>17 negotiation with EOG Resources, Inc. concerning Eagle</p> <p>18 Ford shale property interests and identify your</p> <p>19 officers, directors, or employees best suited to</p> <p>20 testify about the substance of these actions." And</p> <p>21 the supplemental response states that "JP Morgan did</p> <p>22 not undertake any actions or responsibilities in</p> <p>23 connection with Reliance Industries, Ltd.'s</p> <p>24 investigation of and/or negotiation with EOG</p> <p>25 Resources, Inc. concerning Eagle Ford shale property</p>	<p>1 Q. And what have you done during the last 10</p> <p>2 years as the coverage banker for EOG?</p> <p>3 A. Our services have been limited primarily to</p> <p>4 we're the lead bank for a multi-bank credit facility</p> <p>5 just as we described for Murphy and Hunt Oil. We</p> <p>6 have led numerous -- I don't recall how many -- bond</p> <p>7 offerings for EOG, along with each time two or three</p> <p>8 other lead book runners.</p> <p>9 Q. Anything else? Sorry.</p> <p>10 A. And we do -- and we have provided commodity</p> <p>11 hedging to support their risk management program just</p> <p>12 like we have -- as I mentioned with Hunt and with --</p> <p>13 with Murphy.</p> <p>14 Q. And we -- when we discuss JP Morgan being</p> <p>15 the lead banker for a credit line with EOG, do you</p> <p>16 have any knowledge of the amount of the credit</p> <p>17 extended to EOG?</p> <p>18 MR. EICHMAN: Just answer that yes or</p> <p>19 no.</p> <p>20 A. No.</p> <p>21 Q. (BY MR. CHRISTIAN) But that would be</p> <p>22 reflected in JP Morgan's documents, correct?</p> <p>23 A. It would, correct.</p> <p>24 Q. Would you be able to estimate the amount of</p> <p>25 the credit line?</p>

8 (Pages 32 to 35)

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<p>1 A. I would be speculating if I tried.</p> <p>2 Q. Would you be able to estimate the amount of</p> <p>3 credit that JP Morgan specifically has provided to</p> <p>4 EOG?</p> <p>5 A. No.</p> <p>6 Q. Do you know if it would be more than</p> <p>7 50 million?</p> <p>8 MR. EICHMAN: Object to the form.</p> <p>9 A. I'm not -- it would be in our records.</p> <p>10 MR. EICHMAN: And just for the record,</p> <p>11 EOG is public, isn't it.</p> <p>12 THE WITNESS: It's a large public</p> <p>13 company, yes.</p> <p>14 MR. EICHMAN: Yes. I knew it was</p> <p>15 large. I was pretty sure it was public.</p> <p>16 Q. (BY MR. CHRISTIAN) You also indicated that</p> <p>17 you -- you had taken part in numerous bond offerings</p> <p>18 involving EOG; is that correct?</p> <p>19 A. That's correct.</p> <p>20 Q. Do you recall how many?</p> <p>21 A. I -- I don't. Definitely more than one. I</p> <p>22 don't recall how many, though.</p> <p>23 Q. Do you recall when those bond offerings</p> <p>24 were?</p> <p>25 A. I don't.</p>	<p>1 A. They would, correct.</p> <p>2 Q. And I think you already answered this</p> <p>3 question. Did I ask you if you knew who the coverage</p> <p>4 banker was at JP Morgan for Petrohawk?</p> <p>5 A. You did ask, and I don't -- I don't know.</p> <p>6 Q. And again this is my memory failing me, but</p> <p>7 did I ask you whether JP Morgan provided coverage</p> <p>8 banking services for Pioneer?</p> <p>9 A. Yes, we do.</p> <p>10 Q. And is Pioneer a client of yours with</p> <p>11 regard to coverage banking?</p> <p>12 A. No, it is not.</p> <p>13 Q. Do you know who the coverage banker is with</p> <p>14 regard to Pioneer?</p> <p>15 A. I do.</p> <p>16 Q. Who is that?</p> <p>17 A. George Glyphis.</p> <p>18 Q. Do you know what specific services JP</p> <p>19 Morgan has provided to Pioneer in the last 10 years?</p> <p>20 A. It's -- I don't know specifics. I think</p> <p>21 it's multi-faceted, just like we've done with EOG.</p> <p>22 We're a lead bank. I know we've participated in</p> <p>23 capital markets offerings. Beyond that, I don't have</p> <p>24 any detailed knowledge.</p> <p>25 Q. Do you know whether we ever did -- excuse</p>
Page 37	Page 39
<p>1 Q. Do you have a time frame estimate?</p> <p>2 A. I mean, they certainly -- they have gone to</p> <p>3 the market more than once over the last three or four</p> <p>4 years. Beyond that, I would be speculating.</p> <p>5 Q. Do you have an estimate as to the amount of</p> <p>6 capital that JP Morgan helped EOG raise in connection</p> <p>7 with the bond offerings?</p> <p>8 A. I don't remember details.</p> <p>9 Q. Do you know if it would be over a hundred</p> <p>10 million?</p> <p>11 A. It would be over a hundred, yes.</p> <p>12 Q. Do you know if it would be over 500</p> <p>13 million?</p> <p>14 A. I'm not sure.</p> <p>15 Q. And I think the final thing that you did in</p> <p>16 connection with EOG was to help them with commodities</p> <p>17 hedging; is that right?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall the value of the commodities</p> <p>20 hedging transactions with EOG?</p> <p>21 A. I don't, no.</p> <p>22 Q. Well, all -- all of this -- the commodities</p> <p>23 hedging, the bond offerings, and the details</p> <p>24 regarding the credit line -- would be in JP Morgan's</p> <p>25 documents; is that correct?</p>	<p>1 me -- know whether JP Morgan ever did any commodities</p> <p>2 hedging for Pioneer?</p> <p>3 A. I don't know.</p> <p>4 Q. And do you know the amount of credit</p> <p>5 extended to Pioneer in connection with the -- the</p> <p>6 banking group lending arrangement?</p> <p>7 A. I don't.</p> <p>8 Q. Do you know the amount of capital raised</p> <p>9 for Pioneer over the course of the last 10 years by</p> <p>10 JP Morgan?</p> <p>11 A. I don't.</p> <p>12 Q. Have you ever talked with anybody at</p> <p>13 Reliance about anything regarding the South Texas</p> <p>14 Syndicate Trust?</p> <p>15 A. I have not.</p> <p>16 Q. Have you ever talked with anyone at JP</p> <p>17 Morgan about the South Texas Syndicate Trust?</p> <p>18 A. I have not.</p> <p>19 Q. Can you tell me how long you spent</p> <p>20 preparing for this deposition?</p> <p>21 A. Probably one hour.</p> <p>22 Q. Can you tell me all the documents you</p> <p>23 reviewed in preparation for this deposition?</p> <p>24 A. This document, the document I see sitting</p> <p>25 there. I think those were the only pieces of paper</p>

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<p>1 that I saw.</p> <p>2 Q. And let me go ahead and hand this to you.</p> <p>3 This is Exhibit 844 previously marked.</p> <p>4 (Exhibit 844 marked)</p> <p>5 Q. (BY MR. CHRISTIAN) Can you tell me why you</p> <p>6 reviewed this document?</p> <p>7 MR. EICHMAN: Objection. That's going</p> <p>8 to invade the attorney/client privilege. Don't</p> <p>9 answer that.</p> <p>10 Q. (BY MR. CHRISTIAN) Let me ask that a</p> <p>11 different way. That's fair.</p> <p>12 Do you know what this document is?</p> <p>13 A. I had never seen it before until today.</p> <p>14 Q. As we sit here today, do you know what the</p> <p>15 document is?</p> <p>16 A. I -- I do not, no.</p> <p>17 Q. You don't have any knowledge about any of</p> <p>18 the information in this document?</p> <p>19 A. I do not, no.</p> <p>20 Q. And you're not prepared to testify about it</p> <p>21 today; is that right?</p> <p>22 A. I can tell you what I know. I don't --</p> <p>23 this is the first -- it's a little Greek to me.</p> <p>24 Q. Well, let me ask you one quick question.</p> <p>25 A. Sure.</p>	<p>1 A. There was a piece of paper that had, like,</p> <p>2 the fact that I'm meeting with you today. It was</p> <p>3 like a summary -- yeah, kind of an innocuous today.</p> <p>4 It didn't really say anything.</p> <p>5 Q. Time and place, that kind of thing?</p> <p>6 A. Time and place.</p> <p>7 MR. EICHMAN: I think it was the</p> <p>8 notice.</p> <p>9 Q. (BY MR. CHRISTIAN) And aside from counsel,</p> <p>10 of course, did you talk with anyone else at JP Morgan</p> <p>11 or anyone else about your preparation for the</p> <p>12 deposition here today?</p> <p>13 A. I have not, no.</p> <p>14 MR. CHRISTIAN: Okay. That's all I</p> <p>15 have, John.</p> <p>16 MR. EICHMAN: Okay. Let's just take a</p> <p>17 short break. I might ask him a few questions.</p> <p>18 MR. CHRISTIAN: Okay. You know, one</p> <p>19 thing I wanted to raise with you. I'll leave this on</p> <p>20 the record, but I wanted to get that conflicts policy</p> <p>21 that Mr. Glyphis reviewed from you when we get a</p> <p>22 chance. He mentioned that as something that he</p> <p>23 reviewed in advance of his deposition. I just want</p> <p>24 to make sure I have the right one.</p> <p>25 MR. EICHMAN: I think any conflicts</p>
Page 41	Page 43
<p>1 Q. And if you know, you can tell me. One of</p> <p>2 the things I was trying to figure out is I notice</p> <p>3 that if you flip a couple pages in -- let's say we go</p> <p>4 to Page 138715.</p> <p>5 A. Okay.</p> <p>6 Q. And I note that there is a total revenue</p> <p>7 column, and down here there is a number that appears</p> <p>8 to be -- let me see what that number is because</p> <p>9 without my glasses it's a little hard.</p> <p>10 A. It's pretty small print.</p> <p>11 Q. It looks like it says 3032186.089. And</p> <p>12 what I'm trying to figure out is if this is an</p> <p>13 ordinary dollar figure with a three-digit decimal</p> <p>14 point or if you know it may be something different.</p> <p>15 A. Yeah, I have no idea.</p> <p>16 Q. Do you know who would know the answer to</p> <p>17 that question?</p> <p>18 A. I do not, no.</p> <p>19 Q. Have you ever seen figures at JP Morgan</p> <p>20 done like this to the third decimal point?</p> <p>21 A. No.</p> <p>22 Q. So, aside from this document which I think</p> <p>23 we had marked as 844 and the interrogatories which</p> <p>24 were 841, did you look at any other documents in</p> <p>25 preparation for this deposition today?</p>	<p>1 policy that he reviewed would be -- I think he</p> <p>2 testified or we mentioned that it would have been an</p> <p>3 exhibit in an earlier deposition.</p> <p>4 MR. CHRISTIAN: Yeah. I just want to</p> <p>5 make sure I get the right one just so I know.</p> <p>6 MR. EICHMAN: Well, I'll identify for</p> <p>7 you what -- what exhibit number it was.</p> <p>8 MR. CHRISTIAN: Perfect. Thank you.</p> <p>9 VIDEOGRAPHER: The time is 1:55 p.m.</p> <p>10 We are off the record.</p> <p>11 (Recess from 1:55 p.m. to 2:00 p.m.)</p> <p>12 VIDEOGRAPHER: The time is 2:00 p.m.</p> <p>13 We are on the record.</p> <p>14 EXAMINATION</p> <p>15 Q. (BY MR. EICHMAN) Mr. Tosch, you know that</p> <p>16 my name is John Eichman, and I'm one of the lawyers</p> <p>17 representing JP Morgan in this litigation that you're</p> <p>18 here on today?</p> <p>19 A. I do, yes.</p> <p>20 Q. And you testified earlier that you work for</p> <p>21 JP Morgan Securities?</p> <p>22 A. That's correct.</p> <p>23 Q. And JP Morgan Securities, is that related</p> <p>24 in some way to JP Morgan Bank?</p> <p>25 A. It is, yes. We're affiliates.</p>

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<p>1 Q. You both have as an ultimate parent company</p> <p>2 JP Morgan Chase & Company?</p> <p>3 A. That's correct.</p> <p>4 Q. And what is your title? Do you have a</p> <p>5 formal title?</p> <p>6 A. I'm managing director within the oil and</p> <p>7 gas investment bank and, as discussed earlier, I also</p> <p>8 serve as the co-head of our oil and gas investment</p> <p>9 banking business here in the U.S.</p> <p>10 Q. The formal name of the line of business</p> <p>11 that you are in, is it called the corporate and</p> <p>12 investment bank?</p> <p>13 A. It is, yes.</p> <p>14 Q. And the JP Morgan businesses are divided up</p> <p>15 into five or six or some number like that of lines of</p> <p>16 business; is that right?</p> <p>17 A. I believe that's correct. I couldn't tell</p> <p>18 you how many, but yes.</p> <p>19 Q. Roughly. And the corporate and investment</p> <p>20 bank is a particular line of business?</p> <p>21 A. It is, that's correct.</p> <p>22 Q. And then are you familiar with a name</p> <p>23 called asset management?</p> <p>24 A. Yes.</p> <p>25 Q. And do you understand that the asset</p>	<p>1 the public debt market, raising debt equity in the</p> <p>2 private market, as we spoke about earlier. We also</p> <p>3 are responsible for providing advisory services to</p> <p>4 clients if we're selling assets for them, helping</p> <p>5 them buy assets in the context of a merger, in the</p> <p>6 context of as we spoke earlier of Murphy Oil where we</p> <p>7 advised them on the spin-off of their retail</p> <p>8 business.</p> <p>9 Q. And do I understand correctly that the</p> <p>10 corporate investment bank is organized to some degree</p> <p>11 along industry lines?</p> <p>12 A. That's correct.</p> <p>13 Q. So, for instance, you testified earlier</p> <p>14 that you're in the oil and goes investment bank, the</p> <p>15 part of the investment bank that deals with oil and</p> <p>16 gas companies?</p> <p>17 A. That's correct.</p> <p>18 Q. And there are other parts of the investment</p> <p>19 bank that deal with other industries?</p> <p>20 A. That's correct.</p> <p>21 Q. A variety of other industries?</p> <p>22 A. Correct.</p> <p>23 Q. And you are the co-head of the oil and gas</p> <p>24 section of the investment bank?</p> <p>25 A. Correct.</p>
Page 45	Page 47
<p>1 management is a line of business at JP Morgan Chase?</p> <p>2 A. I do, yes.</p> <p>3 Q. And do you understand that the asset</p> <p>4 management line of business, among other business</p> <p>5 activities, has a trust business, they provide trust</p> <p>6 services?</p> <p>7 A. I wasn't aware that trust was part of asset</p> <p>8 management, but --</p> <p>9 Q. Is it -- is it --</p> <p>10 A. I haven't given it a lot of thought. So...</p> <p>11 Q. Right. The trust business is not something</p> <p>12 that you have any involvement with at the bank; is</p> <p>13 that right?</p> <p>14 A. That's correct.</p> <p>15 Q. That's in a different line of business and</p> <p>16 one that you don't deal with or have contact with; is</p> <p>17 that right?</p> <p>18 A. That's right.</p> <p>19 Q. The investment bank line of business, the</p> <p>20 corporate investment bank in general, describe for us</p> <p>21 the kinds of services that it provides to its</p> <p>22 clients.</p> <p>23 A. We essentially are responsible for</p> <p>24 providing capital as a traditional lender, raising</p> <p>25 capital in the public equity market, raising money in</p>	<p>1 Q. And who's the other co-head?</p> <p>2 A. A gentleman by the name of Lackland Bloom,</p> <p>3 B-L-O-O-M.</p> <p>4 Q. And is the oil and gas section or group in</p> <p>5 the investment bank part of a larger energy section?</p> <p>6 A. The oil and gas group is part of what's</p> <p>7 defined as our natural resources group. And the</p> <p>8 natural resources group, in addition to having</p> <p>9 responsibility for oil and gas, they have</p> <p>10 responsibility for the power segment. So, utilities.</p> <p>11 Q. Now, are you familiar with the concept of</p> <p>12 the public side of the bank and the nonpublic side of</p> <p>13 the bank?</p> <p>14 A. Yes.</p> <p>15 Q. And are you familiar with the concept of an</p> <p>16 information barrier?</p> <p>17 A. Absolutely, yes.</p> <p>18 Q. And is there an information barrier under</p> <p>19 JP Morgan's policies that is established between on</p> <p>20 the one side of the barrier the public side and on</p> <p>21 the other side of the barrier the nonpublic side?</p> <p>22 A. There is, yes.</p> <p>23 Q. As the co-head of the oil and gas section</p> <p>24 in the investment bank, what side of the bank is your</p> <p>25 group on? Are you on the -- you're on the nonpublic</p>

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<p style="text-align: right;">Page 48</p> <p>1 side?</p> <p>2 A. That's correct.</p> <p>3 Q. So, then, there are policies and procedures</p> <p>4 that limit the flow of certain kinds of information</p> <p>5 from your side of the bank to the public side of the</p> <p>6 bank?</p> <p>7 A. Yes, absolutely.</p> <p>8 Q. And would it be fair to say that you very</p> <p>9 carefully abide by those policies and procedures?</p> <p>10 A. Yeah, absolutely. I mean, our practice is</p> <p>11 dependent upon being able to have the client</p> <p>12 confidence of Chinese walls, yes.</p> <p>13 Q. Now, am I correct that there are a</p> <p>14 number -- there are a large number of oil and gas</p> <p>15 companies in the U.S.?</p> <p>16 A. Correct.</p> <p>17 Q. Is there a particular segment of the oil</p> <p>18 and gas industry that your group focuses on?</p> <p>19 A. We really cover the waterfront. The</p> <p>20 upstream oil and gas producers, the downstream</p> <p>21 refiners, the midstream companies, and the oil field</p> <p>22 service companies. So, all four of those segments</p> <p>23 make up oil and gas.</p> <p>24 Q. When you say the upstream oil and gas</p> <p>25 companies, explain that a little bit.</p>	<p style="text-align: right;">Page 50</p> <p>1 A. Right.</p> <p>2 Q. Capital raising, lending?</p> <p>3 A. That's correct.</p> <p>4 Q. M&A advice?</p> <p>5 A. Correct.</p> <p>6 Q. Now, I would like to ask you to focus on</p> <p>7 the time period 2008 through 2010, and I want to ask</p> <p>8 you about some specific oil and gas companies and</p> <p>9 about any relationship that your group had with those</p> <p>10 companies during that time period.</p> <p>11 Was Apache Corporation a client of JP</p> <p>12 Morgan -- the investment bank JP Morgan in that time</p> <p>13 period?</p> <p>14 A. Yes.</p> <p>15 Q. Was Chesapeake a client of the oil and gas</p> <p>16 group -- the investment bank in that time period?</p> <p>17 A. I -- I would be speculating a little bit,</p> <p>18 but I believe so. We don't do a lot with Chesapeake.</p> <p>19 We've done bits and pieces, but very -- kind of an</p> <p>20 inconsistent basis. It's possible. I would be</p> <p>21 speculating if I gave you a definitive answer on</p> <p>22 that.</p> <p>23 Q. During the time period 2008 to 2010 was</p> <p>24 Chevron a client of your group's?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 49</p> <p>1 A. The companies that acquire, produce, drill,</p> <p>2 explore for oil and gas.</p> <p>3 Q. And the downstream?</p> <p>4 A. Downstream would essentially be refining</p> <p>5 and market companies involved specifically in that</p> <p>6 aspect of the business.</p> <p>7 Q. And I think you may have even mentioned</p> <p>8 midstream.</p> <p>9 A. Midstream would be the pipeline -- the</p> <p>10 pipeline part of the business.</p> <p>11 Q. And then -- then the -- there's a fourth</p> <p>12 category?</p> <p>13 A. Oil field service, the service providers,</p> <p>14 the contract drillers that drill the wells, and the</p> <p>15 large service companies that provide completion</p> <p>16 services, all the things that are required for</p> <p>17 drilling and producing oil out of the ground.</p> <p>18 Q. Now, I would like to -- well, before I ask</p> <p>19 you about some specific companies, let me ask you</p> <p>20 this.</p> <p>21 Would it be fair to say that -- that</p> <p>22 the kinds of services that your group provides to oil</p> <p>23 and gas companies are the kinds of services you</p> <p>24 described a while ago that the investment bank</p> <p>25 generally provides?</p>	<p style="text-align: right;">Page 51</p> <p>1 Q. During that time period was Continental</p> <p>2 Resources a client of your group?</p> <p>3 A. Yes.</p> <p>4 Q. Was Devon Energy a client of your group</p> <p>5 during the 2008 to 2010 time period?</p> <p>6 A. Yes.</p> <p>7 Q. Was -- you've already testified about EOG</p> <p>8 Resources. That company was a client of your group</p> <p>9 during that time period?</p> <p>10 A. That's correct.</p> <p>11 Q. Exxon, were they a client during the 2008</p> <p>12 to 2010 time period?</p> <p>13 A. They were, yes.</p> <p>14 Q. How about a company called Newfield</p> <p>15 Exploration Company? Were they a client in that time</p> <p>16 period?</p> <p>17 A. Yes. Yes, they were.</p> <p>18 Q. Was a company called Penn Virginia a client</p> <p>19 of your group during that time period?</p> <p>20 A. I believe they were, yes.</p> <p>21 Q. There's a Brazilian company called</p> <p>22 Petrobras. Were they a client of your group during</p> <p>23 that time period?</p> <p>24 A. I would be speculating. We have a</p> <p>25 relationship with them today. I don't know if we did</p>

12 (Pages 48 to 51)

<p style="text-align: right;">Page 52</p> <p>1 back then, but it's a large, multi-national company.</p> <p>2 Q. You've mentioned -- or you've been asked</p> <p>3 about Petrohawk. That firm back in the 2008 to 2010</p> <p>4 time period was a client of the JP Morgan investment</p> <p>5 bank?</p> <p>6 A. It was, yes.</p> <p>7 Q. There's a firm called PetroQuest,</p> <p>8 P-E-T-R-O-Q-U-E-S-T. Were they a client during that</p> <p>9 time period?</p> <p>10 A. They were, yes.</p> <p>11 Q. And Pioneer Natural Resources was a client</p> <p>12 of the JP Morgan investment bank during that time</p> <p>13 period?</p> <p>14 A. They were, yes.</p> <p>15 Q. And a firm called Rosetta, R-O-S-E-T-T-A,</p> <p>16 were they a client of the firm?</p> <p>17 A. They are, yes, and they were, yes.</p> <p>18 Q. They were during the 2008 to 2010 time</p> <p>19 period?</p> <p>20 A. They were.</p> <p>21 Q. And there's a company called Samson, an oil</p> <p>22 and gas company called Samson. Were they a client</p> <p>23 during the 2008 to 2010 time period?</p> <p>24 A. They were, yes.</p> <p>25 Q. Was Shell?</p>	<p style="text-align: right;">Page 54</p> <p>1 A. Correct.</p> <p>2 Q. Let me ask you -- an example. Does a bank</p> <p>3 like Wells Fargo have an oil and gas group in its</p> <p>4 investment bank?</p> <p>5 A. They do.</p> <p>6 Q. And is Wells Fargo's investment bank</p> <p>7 involved in deals with your bank?</p> <p>8 A. They are.</p> <p>9 Q. In other words, you both might</p> <p>10 simultaneously be assisting a client?</p> <p>11 A. That's correct.</p> <p>12 Q. And does Wells Fargo's investment bank do</p> <p>13 work for some of the companies that I've just listed</p> <p>14 and you've answered about?</p> <p>15 A. I'm certain they do, yes. Which ones, I</p> <p>16 don't -- I would have a hard time -- but, yes, many</p> <p>17 of them, I'm sure they do.</p> <p>18 Q. Sir, have you ever communicated with any</p> <p>19 trust officer or mineral manager in JP Morgan's</p> <p>20 private bank about any Reliance entity?</p> <p>21 A. I have not, no.</p> <p>22 Q. And I've listed several energy companies</p> <p>23 that the investment bank has performed services for</p> <p>24 back in the 2008 to 2010 time period according to</p> <p>25 your testimony.</p>
<p style="text-align: right;">Page 53</p> <p>1 A. Yes.</p> <p>2 Q. Was Swift Energy a client during that time</p> <p>3 period?</p> <p>4 A. Yes.</p> <p>5 Q. Was Whiting Petroleum Corporation a client</p> <p>6 of JP Morgan during that time period?</p> <p>7 A. They were, yes.</p> <p>8 Q. And there's a firm that I think has since</p> <p>9 been acquired called XTO. Was XTO a client of the</p> <p>10 investment bank at JP Morgan during the 2008 to 2010</p> <p>11 time period?</p> <p>12 A. They were, yes.</p> <p>13 Q. Sir, based on your involvement and your</p> <p>14 experience, did each of those companies work with</p> <p>15 multiple banks, a variety of banks besides JP Morgan</p> <p>16 during that time period?</p> <p>17 A. Yes.</p> <p>18 Q. Is that the way it usually works in your</p> <p>19 business?</p> <p>20 A. It is, yes.</p> <p>21 Q. That companies, client companies, have</p> <p>22 multiple banks with whom they work?</p> <p>23 A. Correct.</p> <p>24 Q. And JP Morgan is one of several with whom a</p> <p>25 particular client might work?</p>	<p style="text-align: right;">Page 55</p> <p>1 Are there any of those energy</p> <p>2 companies -- any of those oil and gas companies that</p> <p>3 I mentioned that you have ever communicated with any</p> <p>4 trust officer or mineral manager in JP Morgan's</p> <p>5 private bank about?</p> <p>6 A. Not that I recall, no.</p> <p>7 Q. And sitting here today you can say you have</p> <p>8 not communicated with any trust officer or mineral</p> <p>9 manager about those companies?</p> <p>10 A. That is correct.</p> <p>11 Q. Now, you've been asked some questions about</p> <p>12 Hunt Oil, and you've testified that they are a client</p> <p>13 of the investment bank at JP Morgan?</p> <p>14 A. That's correct.</p> <p>15 Q. Have you ever communicated with any trust</p> <p>16 officer or mineral manager in JP Morgan's private</p> <p>17 bank about Hunt Oil?</p> <p>18 A. I have not, no.</p> <p>19 MR. EICHMAN: We'll reserve the rest</p> <p>20 of our questions until trial.</p> <p>21 MR. CHRISTIAN: Okay. I have a little</p> <p>22 bit of follow-up.</p> <p>23 FURTHER EXAMINATION</p> <p>24 Q. (BY MR. CHRISTIAN) Sir, Mr. Eichman had</p> <p>25 you, I think, testify about policies regarding an</p>

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<p style="text-align: right;">Page 56</p> <p>1 information barrier at JP Morgan; is that right?</p> <p>2 A. Correct.</p> <p>3 Q. Can you tell me specifically what policies</p> <p>4 are in place at JP Morgan to limit the flow of</p> <p>5 information between the nonpublic and public side of</p> <p>6 the business?</p> <p>7 A. Sure. We have a -- as a regular matter, we</p> <p>8 have training on an annual basis which reviews the</p> <p>9 privacy acts, you know, the -- basically the Chinese</p> <p>10 wall and information flow, you know, restrictions,</p> <p>11 you know, within the firm. We do that on an annual</p> <p>12 basis. It's an important part of our regulatory</p> <p>13 clients.</p> <p>14 Q. Do you have any specific policies you can</p> <p>15 cite to that describe the duties?</p> <p>16 A. Well, I mean, as a -- as a banker you have</p> <p>17 access to private information and, you know, that</p> <p>18 cannot be shared, you know, outside with public</p> <p>19 siders, equity research being the most obvious</p> <p>20 example. And even within the confines of deal teams,</p> <p>21 you know, we have deal teams that are approved</p> <p>22 through compliance to work on a particular</p> <p>23 transaction and information is limited as it relates</p> <p>24 to that transaction within that group of people who</p> <p>25 are -- who are approved to be on the deal team, too,</p>	<p style="text-align: right;">Page 58</p> <p>1 those types of -- those types of issues.</p> <p>2 Q. Can you give me some of the specifics?</p> <p>3 A. On --</p> <p>4 Q. Well, that are part of the annual training.</p> <p>5 I mean, you mentioned -- you mentioned the</p> <p>6 information barrier and you mentioned anti-money</p> <p>7 laundering.</p> <p>8 What else is part of the annual</p> <p>9 training?</p> <p>10 A. Oh, there is training around obviously</p> <p>11 information sharing. AML we talked about, you know.</p> <p>12 You're asking -- I'm having a blank on what else --</p> <p>13 those are just the two that as investment bankers</p> <p>14 that we deal with on a daily basis. There's others</p> <p>15 that are more related to the retail brokerage part of</p> <p>16 the business that we don't really -- we're not</p> <p>17 involved with so we go through the training. Those</p> <p>18 are the -- off the top of my head, I'm not thinking</p> <p>19 of the others. I'll have to give it some more</p> <p>20 thought.</p> <p>21 Q. And how long is this annual training</p> <p>22 usually?</p> <p>23 A. It's typically probably an hour training</p> <p>24 session every year, and we'll have sometimes interim</p> <p>25 updates, as well, that will be provided and, of</p>
<p style="text-align: right;">Page 57</p> <p>1 and then the conflicts office manages to make sure</p> <p>2 that there's not any kind of a conflict with another</p> <p>3 client, to make sure that, you know, we don't have</p> <p>4 access to nonpublic information, et cetera. That's a</p> <p>5 large part of the organization manages that aspect of</p> <p>6 our clients. It's what we deal with every single day</p> <p>7 in our business.</p> <p>8 Q. And are there specific written policies</p> <p>9 that govern the information flow?</p> <p>10 A. There are, yes.</p> <p>11 Q. Do you know what policy numbers or how I</p> <p>12 might be able to identify those policies?</p> <p>13 A. I don't, but there's -- I can't tell you</p> <p>14 the name of it. It's basically -- I don't know if</p> <p>15 it's a right to privacy -- I can't give you the name</p> <p>16 of it, but there's -- it's a major focal point of our</p> <p>17 training on an annual basis. I can't tell you what</p> <p>18 the document's called. I just don't remember.</p> <p>19 Q. When you say you have annual training, what</p> <p>20 other types of issues does the annual training</p> <p>21 encompass?</p> <p>22 A. I mean, we have -- it's across the board.</p> <p>23 All -- all the major, you know, types of issues that</p> <p>24 banks, you know, have ongoing compliance requirements</p> <p>25 around. Another one would be money laundering, all</p>	<p style="text-align: right;">Page 59</p> <p>1 course, we're expected to review the compliance</p> <p>2 manual. There's -- there's training in terms of</p> <p>3 gifts, things we can do for clients on entertainment,</p> <p>4 things they can do for us on entertainment, those</p> <p>5 types of issues.</p> <p>6 Q. How does the training happen? Is it done</p> <p>7 on your computer, or do you go to a meeting?</p> <p>8 A. We have an annual compliance in-person</p> <p>9 meeting every year that's mandatory that covers all</p> <p>10 the key issues and topics, and then we're also</p> <p>11 required to complete computer-based training, as</p> <p>12 well, and sign off that we've reviewed the compliance</p> <p>13 policies of the firm.</p> <p>14 Q. And as part of a bigger picture question</p> <p>15 can you tell me why it is that there is an</p> <p>16 information barrier between the investment banking</p> <p>17 side of things and the different parts of JP Morgan</p> <p>18 that are restricted from receiving that information?</p> <p>19 A. Sure. With any client there's -- there's a</p> <p>20 huge premium placed on confidentiality, and we deal</p> <p>21 with confidential information on a daily basis with</p> <p>22 multiple, multiple, multiple clients and it's</p> <p>23 absolutely critical that that be kept</p> <p>24 compartmentalized on a need-to-know basis with the</p> <p>25 team that's working on a particular transaction.</p>

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<p>1 What we happen to be doing in investment banking --</p> <p>2 for instance, with a client, whether we're raising</p> <p>3 capital or advising them on a merger is confidential</p> <p>4 information. It's not information that those that</p> <p>5 side on the public side of the wall should have</p> <p>6 access to.</p> <p>7 Q. And so, in large part the handling of the</p> <p>8 information is to ensure the client's best interests;</p> <p>9 is that right?</p> <p>10 MR. EICHMAN: Object to the form.</p> <p>11 A. It's -- it's there to ensure that all</p> <p>12 public investors have access to the same information.</p> <p>13 Q. (BY MR. CHRISTIAN) And what other reasons?</p> <p>14 Besides allowing all public investors to have access</p> <p>15 to equal information, what other reasons are there</p> <p>16 for this information barrier?</p> <p>17 A. Because there's -- it's really on a</p> <p>18 need-to-know basis. If someone -- if we have</p> <p>19 confidential information we have on a client, we</p> <p>20 under no circumstances would share that or</p> <p>21 communicate that with anyone outside of our deal</p> <p>22 team. I mean, it's sort of a tenant of our business.</p> <p>23 Q. And how do you determine whether the</p> <p>24 information is confidential?</p> <p>25 A. If it's not known to the public, it's</p>	<p>1 company. Right?</p> <p>2 A. That's correct.</p> <p>3 Q. Would the mere fact that JP Morgan does a</p> <p>4 substantial amount of business with Hunt Oil be</p> <p>5 considered confidential information, as you</p> <p>6 understand the designation?</p> <p>7 MR. EICHMAN: Object to the form of</p> <p>8 the question.</p> <p>9 A. I view all of -- any information that's</p> <p>10 shared to me on a confidential basis as confidential,</p> <p>11 whether it's a private or public company.</p> <p>12 Q. (BY MR. CHRISTIAN) But how do you make that</p> <p>13 determination at JP Morgan? Is there anything in</p> <p>14 writing that discusses that specifically?</p> <p>15 A. Any -- any -- any bit of information that</p> <p>16 in any way could be considered material, you just</p> <p>17 don't share it. You really share nothing. I'm even</p> <p>18 uncomfortable -- with Hunt as a private company, I</p> <p>19 want to make sure -- which I think you're covering --</p> <p>20 exactly what's disclosed as it relates to Hunt</p> <p>21 because they are a private company.</p> <p>22 Q. But you don't know whether everybody at JP</p> <p>23 Morgan always follows procedure with regard to the</p> <p>24 information barrier, though, do you?</p> <p>25 MR. EICHMAN: Object to the form. Are</p>
Page 61	Page 63
<p>1 confidential. Any time we get information on a</p> <p>2 client that is material nonpublic information, we</p> <p>3 register that with compliance almost instantaneously</p> <p>4 that we're in possession of -- it restricts how the</p> <p>5 bank trades. I mean, we have a big trading business.</p> <p>6 You know, we report when we are working on something</p> <p>7 confidential, it goes through compliance, and they</p> <p>8 can watch how things are getting trading to make sure</p> <p>9 that no one's trading on inside information, those</p> <p>10 types of things. That's how it's used.</p> <p>11 Q. So, if JP Morgan did substantial business</p> <p>12 with a public company that reported the types of</p> <p>13 business that was being transacted, that wouldn't be</p> <p>14 confidential information, would it?</p> <p>15 A. No.</p> <p>16 MR. EICHMAN: Excuse me. Object to</p> <p>17 the form.</p> <p>18 A. Any information that's in the public domain</p> <p>19 is not considered confidential.</p> <p>20 Q. (BY MR. CHRISTIAN) And do you know whether</p> <p>21 Petrohawk was a public company in 2008?</p> <p>22 A. I'm not so good with remembering dates,</p> <p>23 but -- I'm not certain, but -- I would have to look</p> <p>24 and see.</p> <p>25 Q. And we know that Hunt Oil was a private</p>	<p>1 you asking about what -- what he knows?</p> <p>2 MR. CHRISTIAN: Yeah.</p> <p>3 A. If I were aware of anyone that was</p> <p>4 breaching or sharing confidential information</p> <p>5 inappropriately, I would have an obligation to report</p> <p>6 it to compliance immediately.</p> <p>7 Q. (BY MR. CHRISTIAN) Well, let me give you a</p> <p>8 hypothetical. If in 2008 somebody from JP Morgan</p> <p>9 contacted the trust department and said, "We do a lot</p> <p>10 of business with Petrohawk," would you believe this</p> <p>11 to be a violation of JP Morgan's information barrier</p> <p>12 policies?</p> <p>13 MR. EICHMAN: Object to the form of</p> <p>14 the question.</p> <p>15 A. Ask -- I don't understand the question.</p> <p>16 Ask it again.</p> <p>17 Q. (BY MR. CHRISTIAN) If somebody from JP</p> <p>18 Morgan contacted JP Morgan's trust department in 2008</p> <p>19 and said to them, "We happen to do a lot of business</p> <p>20 with Petrohawk, and you should keep that in mind" --</p> <p>21 MR. EICHMAN: Object to the form of</p> <p>22 the question.</p> <p>23 Q. (BY MR. CHRISTIAN) Does that in your mind</p> <p>24 breach the information barrier or policies that JP</p> <p>25 Morgan has in place?</p>

15 (Pages 60 to 63)

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<p>1 MR. EICHMAN: Object to the form of</p> <p>2 the question. Hypothetical is incomplete.</p> <p>3 Q. (BY MR. CHRISTIAN) Go ahead.</p> <p>4 A. I'm still not quite sure -- I can answer</p> <p>5 the question from the perspective of what I would do.</p> <p>6 I can't step into somebody else's shoes as to what</p> <p>7 they might do.</p> <p>8 Q. Okay. Why don't you answer it on what you</p> <p>9 would do?</p> <p>10 A. Under no circumstances would I have reason</p> <p>11 to contact the trust department about anything.</p> <p>12 Q. Okay. You don't know, again, whether</p> <p>13 anybody else at JP Morgan might have had occasion to</p> <p>14 do that. Right?</p> <p>15 A. I would have no idea.</p> <p>16 Q. And in your mind would -- would the</p> <p>17 hypothetical that I just suggested be a violation of</p> <p>18 the information barrier that JP Morgan has in place?</p> <p>19 MR. EICHMAN: Object to the form of</p> <p>20 the question.</p> <p>21 A. Again, if -- I can comment on what I could</p> <p>22 do -- what I would do and what I'm responsible for</p> <p>23 doing within my world, and in my world we would not</p> <p>24 do that. It would be inappropriate. It would be</p> <p>25 considered a breach of confidentiality.</p>	<p>1 companies, do you, sir?</p> <p>2 A. That's correct.</p> <p>3 MR. CHRISTIAN: That's fine.</p> <p>4 COURT REPORTER: Off the record.</p> <p>5 MR. CHRISTIAN: Yes.</p> <p>6 VIDEOGRAPHER: The time is 2:29. This</p> <p>7 concludes the deposition of Paschall Tosch. We're</p> <p>8 off the record.</p> <p>9 (Whereupon the deposition was adjourned.)</p>
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<p>1 Q. (BY MR. CHRISTIAN) Okay. So, we've</p> <p>2 established that you wouldn't do it. Right?</p> <p>3 A. Correct.</p> <p>4 Q. Okay. But, again, you don't know whether</p> <p>5 anybody else at JP Morgan might adhere to your</p> <p>6 standards with regard to the information barrier,</p> <p>7 correct?</p> <p>8 A. I can't speculate on that.</p> <p>9 Q. Okay.</p> <p>10 A. They are held to the same standards as --</p> <p>11 as I am. That's the only thing I can say with</p> <p>12 confidence.</p> <p>13 Q. And as we sit here today, you don't know if</p> <p>14 anybody else at JP Morgan actually did communicate</p> <p>15 with JP Morgan's trust department about any of the</p> <p>16 oil companies that we've discussed today. Right?</p> <p>17 A. I have no knowledge of that at all, that's</p> <p>18 correct.</p> <p>19 MR. CHRISTIAN: Okay. That's all I</p> <p>20 have.</p> <p>21 FURTHER EXAMINATION</p> <p>22 Q. (BY MR. EICHMAN) Sir, just so the record is</p> <p>23 clear, you have no knowledge of anyone in the</p> <p>24 investment bank communicating with anyone in the</p> <p>25 trust department at JP Morgan about any of those</p>	<p>1 CHANGES AND SIGNATURE</p> <p>2 PAGE LINE CHANGE REASON</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<p style="text-align: right;">Page 68</p> <p>1 I, PASCHALL TOSCH, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5 _____</p> <p>6 PASCHALL TOSCH</p> <p>7</p> <p>8 THE STATE OF _____)</p> <p>9 COUNTY OF _____)</p> <p>10</p> <p>11 Before me, _____, on this</p> <p>12 day personally appeared PASCHALL TOSCH, known to me</p> <p>13 or proved to me on the oath of _____ or</p> <p>14 through _____ (description of</p> <p>15 identity card or other document) to be the person</p> <p>16 whose name is subscribed to the foregoing instrument</p> <p>17 and acknowledged to me that he/she executed the same</p> <p>18 for the purpose and consideration therein expressed.</p> <p>19 Given under my hand and seal of office on this</p> <p>20 ____ day of _____ 2014.</p> <p>21</p> <p>22 _____</p> <p>23 NOTARY PUBLIC IN AND FOR</p> <p>24 THE STATE OF _____</p> <p>25 My Commission Expires: _____</p>	<p style="text-align: right;">Page 70</p> <p>1 taken, the following includes all parties of record</p> <p>2 and the amount of time used by each party at the time</p> <p>3 of the deposition:</p> <p>4 Michael S. Christian (1h10m)</p> <p>5 John Eichman (0h16m)</p> <p>6 Attorney for Defendant</p> <p>7 That a copy of this certificate was served on</p> <p>8 all parties shown herein on _____</p> <p>9 and filed with the Clerk.</p> <p>10 I further certify that I am neither counsel for,</p> <p>11 related to, nor employed by any of the parties in the</p> <p>12 action in which this proceeding was taken, and</p> <p>13 further that I am not financially or otherwise</p> <p>14 interested in the outcome of this action.</p> <p>15 Further certification requirements pursuant to</p> <p>16 Rule 203 of the Texas Code of Civil Procedure will be</p> <p>17 complied with after they have occurred.</p> <p>18 Certified to by me on this 11th day of</p> <p>19 February, 2014.</p> <p>20</p> <p>21 <u>Shauna Foreman</u></p> <p>22 Shauna Foreman, CSR</p> <p>23 Texas CSR 3786</p> <p>24 Expiration: 12/31/2014</p> <p>25 Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p>
<p style="text-align: right;">Page 69</p> <p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT</p> <p>3)</p> <p>4 vs.) BEXAR COUNTY, TEXAS</p> <p>5)</p> <p>6 JP MORGAN CHASE BANK, N.A.)</p> <p>7 INDIVIDUALLY/CORPORATELY)</p> <p>8 AND AS TRUSTEE OF THE)</p> <p>9 SOUTH TEXAS SYNDICATE)</p> <p>10 TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT</p> <p>11</p> <p>12</p> <p>13 REPORTER'S CERTIFICATE</p> <p>14 ORAL VIDEOTAPED DEPOSITION OF PASCHALL TOSCH</p> <p>15 February 11, 2014</p> <p>16</p> <p>17 I, Shauna Foreman, Certified Shorthand Reporter</p> <p>18 in and for the State of Texas, hereby certify to the</p> <p>19 following:</p> <p>20 That the witness, PASCHALL TOSCH, was duly sworn</p> <p>21 and that the transcript of the deposition is a true</p> <p>22 record of the testimony given by the witness;</p> <p>23 That the deposition transcript was duly</p> <p>24 submitted on _____ to the witness or to</p> <p>25 the attorney for the witness for examination,</p> <p>signature, and return to me by</p> <p>_____.</p> <p>That pursuant to information given to the</p> <p>deposition officer at the time said testimony was</p>	<p style="text-align: right;">Page 71</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203</p> <p>2</p> <p>3 The original deposition was/was not returned to</p> <p>4 the deposition officer on _____.</p> <p>5 If returned, the attached Changes and Signature</p> <p>6 page(s) contain(s) any changes and the reasons</p> <p>7 therefor.</p> <p>8 If returned, the original deposition was</p> <p>9 delivered to Michael S. Christian, Custodial</p> <p>10 Attorney.</p> <p>11 \$_____ is the deposition officer's charges to</p> <p>12 the Plaintiff for preparing the original deposition</p> <p>13 and any copies of exhibits;</p> <p>14 The deposition was delivered in accordance with</p> <p>15 Rule 203.3, and a copy of this certificate, served on</p> <p>16 all parties shown herein, was filed with the Clerk.</p> <p>17 Certified to by me on this _____ day of</p> <p>18 _____, 2014.</p> <p>19</p> <p>20</p> <p>21 _____</p> <p>22 Shauna Foreman, CSR</p> <p>23 Texas CSR 3786</p> <p>24 Expiration: 12/31/2014</p> <p>25 Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> <p>Firm No. 631</p>

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<div>Page 1</div> <div>(Consolidated Under) CAUSE NO. 2010-CI-10977</div> <div>JOHN K. MEYER, ET AL., § IN THE DISTRICT COURT</div> <div>§</div> <div>Plaintiffs, §</div> <div>§</div> <div>-vs- §</div> <div>§</div> <div>JP MORGAN CHASE BANK, N.A., §</div> <div>INDIVIDUALLY/CORPORATELY § 225th JUDICIAL DISTRICT</div> <div>AND AS TRUSTEE OF THE SOUTH §</div> <div>TEXAS SYNDICATE TRUST and §</div> <div>GARY P. AYMES, §</div> <div>§</div> <div>Defendants. § BEXAR COUNTY, TEXAS</div> <div>§</div> <div>VIDEO DEPOSITION OF DAVID HERFORD TAKEN ON BEHALF OF THE PLAINTIFFS ON FEBRUARY 14, 2014 IN OKLAHOMA CITY, OKLAHOMA</div> <div>ATKINSON-BAKER, INC. 800/288-3376</div> <div>JOB NO. A70D871</div> <div>REPORTED BY: KIMI GEORGE, CSR, RMR</div>	<div>Page 3</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>
<div>Page 2</div> <div>1 APPEARANCES</div> <div>2 FOR THE PLAINTIFFS:</div> <div>3 MR. MICHAEL S. CHRISTIAN</div> <div>ZELLE HOFMANN VOELBEL & MASON LLP</div> <div>4 44 Montgomery Street</div> <div>Suite 3400</div> <div>5 San Francisco, California 94104</div> <div>415/693-0700</div> <div>6 mchristian@zelle.com</div> <div>7 FOR THE DEFENDANTS:</div> <div>8 MR. DAVID JED WILLIAMS</div> <div>HORNBERGER SHEEHAN FULLER BEITER WITTENBERG &</div> <div>9 GARZA, INC.</div> <div>7373 Broadway</div> <div>10 Suite 300</div> <div>San Antonio, Texas 78209</div> <div>11 210/271-1731</div> <div>jwilliams@hsfblaw.com</div> <div>12</div> <div>13 VIDEOGRAPHER:</div> <div>14 MS. KATHY ROBERTS</div> <div>15</div> <div>16</div> <div>17</div>	<div>Page 3</div> <div>1 TABLE OF CONTENTS</div> <div>2 Page</div> <div>3 STIPULATIONS..... 4</div> <div>4 DIRECT EXAMINATION BY MR. CHRISTIAN..... 5</div> <div>5 CROSS-EXAMINATION BY MS. WILLIAMS.....106</div> <div>6 REDIRECT EXAMINATION BY MR. CHRISTIAN.....142</div> <div>7 REPORTER'S CERTIFICATION.....158</div> <div>8</div> <div>9</div> <div>10 EXHIBITS</div> <div>11 No. Description Page</div> <div>12 866</div> <div>13 Email.....134</div> <div>14</div> <div>15</div> <div>16</div> <div>17</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>

<p style="text-align: right;">Page 4</p> <p>1 Deposition of the witness, DAVID HERFORD, 2 taken in the offices of PC Executive Suites - Union 3 Plaza, 3030 Northwest Expressway, Oklahoma City, 4 Oklahoma, on Friday, February 14, 2014, at 8:59 a.m., 5 pursuant to the stipulations hereinafter set out.</p> <p>6 STIPULATIONS</p> <p>7 It is hereby stipulated by and between the 8 parties hereto, through their respective attorneys, 9 that the deposition of DAVID HERFORD, may be taken on 10 behalf of the Plaintiffs by Kimi George, Certified 11 Shorthand Reporter within and for the state of 12 Oklahoma.</p> <p>13</p> <p>14 It is further stipulated and agreed by and 15 between the parties hereto, through their respective 16 attorneys, that the deposition will be taken pursuant 17 to the Texas Rules of Civil Procedure.</p> <p>18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 6</p> <p>1 deposition, one of the things that we ask that you do 2 is to give oral answers, as opposed to saying uh-huh 3 or just nodding your head, and that way, the court 4 reporter can record precisely what you're saying. Do 5 you understand that?</p> <p>09:00 6 A. Yes.</p> <p>09:00 7 Q. One of the other things is that -- And we'll 8 be going sometimes back and forth with questions and 9 answers. We just have to be careful to not talk over 10 one another, because that can also jumble up the 11 record and make it a little difficult to read later 12 on. Do you understand that?</p> <p>09:00 13 A. Yes.</p> <p>09:00 14 Q. Can you tell me what your current address 15 is, sir?</p> <p>09:00 16 A. It is 1700 Apache Trail, Edmond, Oklahoma, 17 73003.</p> <p>09:00 18 Q. And how long have you lived there?</p> <p>09:01 19 A. Two years.</p> <p>09:01 20 Q. And where'd you live before that?</p> <p>09:01 21 A. In Hot Springs Village, Arkansas.</p> <p>09:01 22 Q. Hot Springs, Arkansas. And what were you 23 doing in Hot Springs, Arkansas?</p> <p>09:01 24 A. I was working on a -- as a permanent part- 25 time employee for JPMorgan Chase for the first four</p>
<p style="text-align: right;">Page 5</p> <p>08:59 1 MS. ROBERTS: We're on the record at 2 8:59 a.m.</p> <p>08:59 3 And thereupon, the said Defendants produced 4 the following witness,</p> <p>08:59 5 DAVID HERFORD, 08:59 6 having been first duly sworn, was examined and 7 testified on his oath as follows:</p> <p>08:59 8 DIRECT EXAMINATION</p> <p>08:59 9 BY MR. CHRISTIAN:</p> <p>08:59 10 Q. Mr. Herford, could I have you state your 11 name for the record, please?</p> <p>08:59 12 A. Okay. David Herford.</p> <p>08:59 13 Q. Mr. Herford, have you ever been deposed 14 before?</p> <p>08:59 15 A. Yes.</p> <p>08:59 16 Q. Can you tell me what that was in connection 17 with?</p> <p>08:59 18 A. Say an oil and gas partnership situation in 19 roughly 1989.</p> <p>08:59 20 Q. So it's been a little while. Is that right?</p> <p>09:00 21 A. It has.</p> <p>09:00 22 Q. Okay. Let me just go over a couple of the 23 ground rules for a deposition that'll hopefully make 24 everything go a little faster and a little smoother. 25 You may remember this, but when you're in a</p>	<p style="text-align: right;">Page 7</p> <p>1 years and unemployed the last year.</p> <p>09:01 2 Q. And when you say you were a permanent part- 3 time employee for JPMorgan in Hot Springs, can you 4 tell me what you were doing as far as your title and 5 your duties?</p> <p>09:01 6 A. I was working three days a week, and my -- 7 my duties, pretty much special-project-type work, 8 whatever was asked of me, whether it was supporting 9 the head of Oil and Gas or assisting one of the 10 property managers with whatever the situation may be.</p> <p>09:02 11 Q. Were you -- at the time you were in 12 Arkansas, were you doing any work on properties in 13 Texas?</p> <p>09:02 14 A. Not specifically, no.</p> <p>09:02 15 Q. Were you doing, generally, any work on 16 properties in Texas?</p> <p>09:02 17 A. I -- I wasn't working on properties. I was 18 helping the -- mainly the head of the oil and gas 19 department, or Hays Davis, with a couple of projects. 20 One was the conversion of certain properties and 21 accounts from JPMorgan management to CGI management 22 and assisted -- assisted with that. There was an 23 interest in moving work that was done by the oil and 24 gas department to India, so I assisted with that. 25 There was management reporting that was done; I</p>

<p style="text-align: right;">Page 8</p> <p>1 assisted with that. There -- there was a client 2 matter. I can't remember the specifics of it, but 3 they -- there was a -- I believe some title-related 4 issue, but that sort of thing.</p> <p>09:03 5 Q. Do you -- This case is about the South Texas 6 Syndicate Trust down in South Texas. Do you recall 7 whether any of these special projects that were 8 working on involved the South Texas Syndicate Trust?</p> <p>09:03 9 A. No.</p> <p>09:03 10 Q. No, you don't recall; or, no, it didn't 11 involve --</p> <p>09:03 12 A. Well, I don't specifically recall doing any 13 work on South Texas Syndicate properties or accounts. 14 I don't believe that I did.</p> <p>09:04 15 Q. You mentioned converting accounts to CGI. 16 That was one of the things that you did when you were 17 working part-time when you were in Hot Springs, 18 correct?</p> <p>09:04 19 A. Uh-huh.</p> <p>09:04 20 Q. What did that entail?</p> <p>09:04 21 A. It involved looking at the accounts and the 22 number of properties and the revenues on those and 23 trying to identify the accounts would be that would 24 lend themselves to being moved to CGI for management.</p> <p>09:04 25 Q. Were those typically the smaller accounts?</p>	<p style="text-align: right;">Page 10</p> <p>1 big swing, why did that happen, and to identify those 2 for follow-up research.</p> <p>09:06 3 On the flip side, if a well went from \$500 a 4 year to 10,000, why was that? Was there a -- you 5 know, the well improved or was there a release of 6 suspended funds? And so that it was again a 7 situation to identify where the wells had changed 8 drastically in one direction or another and then do 9 the follow-up. So they were being trained. We had 10 regular conference calls with a group over there, and 11 that was going to be their role.</p> <p>09:06 12 Q. Okay. So, aside from identifying 13 differences in well production, was there any other 14 aspect of JPMorgan's oil and gas management that was 15 transferred to India?</p> <p>09:07 16 A. Not that I'm aware.</p> <p>09:07 17 Q. Okay. Do you happen to know whether any 18 aspect of the STS Trust was, in fact, transferred to 19 India?</p> <p>09:07 20 A. I don't.</p> <p>09:07 21 Q. And you also mentioned that you did 22 management reporting while you were at Hot Springs. 23 Can you describe what that entailed?</p> <p>09:07 24 A. It involved a -- a -- a monthly report that 25 included revenue figures for the department, fee</p>
<p style="text-align: right;">Page 9</p> <p>09:04 1 A. That was, I believe, the intent initially, 2 yes.</p> <p>09:04 3 Q. And then you also mentioned something about 4 transferring some responsibilities over to India? Is 5 that right?</p> <p>09:05 6 A. Yes.</p> <p>09:05 7 Q. And can you describe what that project 8 entailed?</p> <p>09:05 9 A. Part of the work that's done is an annual 10 account review on each and every account, and certain 11 parts of that review was -- was in -- the intent was 12 to have that work done by a crew based in India, and 13 then that work passed back to the property manager 14 who was ultimately responsible for the -- the overall 15 review. So I was asked to help to -- to train them 16 on that part of the review, and we wound up changing 17 that to something where they could actually be more 18 useful and efficient in it.</p> <p>09:05 19 It was essentially looking at the -- the 20 assets and the revenue on the assets and trying to 21 identify any that had any large swings up or down 22 and -- and then identifying those for follow-up 23 research if it was needed, that if there was a well 24 that was producing, let's say, \$10,000 a year one 25 year and it went to \$500 a year the next, that was a</p>	<p style="text-align: right;">Page 11</p> <p>1 figures for the department, various other metrics: 2 the number of leases, the bonuses associated with 3 those leases; account openings, the anticipated 4 revenue and fee on those; account closings, the 5 estimated fee loss on those; number of employees, 6 ups, increases, decreases, that sort of thing.</p> <p>09:08 7 Q. And so, were you looking at the reporting, 8 or were you trying to figure out a way to have a more 9 efficient reporting system?</p> <p>09:08 10 A. Early on, I -- I was interested in having a 11 more efficient reporting system, and so we -- we 12 did -- The -- the reporting method changed from more 13 of an anecdotal paragraph style, telling -- each -- 14 each property manager would tell what they did, to 15 one that was more of -- of essentially the facts and 16 the figures.</p> <p>09:08 17 And so to make that consistent, we developed 18 a spreadsheet that each person could -- could fill 19 out, and then it would upfeed to a higher level and 20 eventually to a level that could be posted to the 21 report that was -- Kevin Smith was the head of the 22 Specialty Asset Group, and in a format that he 23 wanted.</p> <p>09:09 24 Q. And -- and do you recall whether any of your 25 work with respect to this managing -- management</p>

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09:09	1 reporting system specifically involved the STS Trust?	1	pretty much fell out, and I went into being a racing
09:09	2 A. It did not.	2	official for three or four years, in that area,
09:09	3 Q. Okay. And you also mentioned that you did	3	returned to oil and gas in 1994 at Liberty Bank, and
	4 some work in Hot Springs relating to title issues.	4	there really wasn't an interest in supporting -- I
	5 Is that right?	5	had attained a CPL status, but that required ongoing
09:09	6 A. Yeah, and that's -- that was a general	6	CEUs and that sort of thing, and they really weren't
	7 thing. I can't remember specifically what -- what it	7	interested in that, so it -- it expired and I've
	8 was, but sometimes it's a matter of -- of -- and I	8	never re -- retaken it.
	9 don't know that this was the case on this, so it'd	09:12	9 Q. Okay. So the -- the Certified Professional
	10 just be guessing. I -- I don't remember, to be	10	Landman, I guess certificate or qualification
	11 honest with you.	11	indication expired. Do you recall when that was?
09:09	12 Q. And do you remember whether any of the	09:12	12 A. Well, it would expire approximately one
	13 title-related issues that you addressed when you were	13	year -- I'm going to say in 1989 or '90, somewhere in
	14 in Hot Springs dealt with the STS Trust?	14	there.
09:10	15 A. Did not.	09:13	15 Q. Okay. And you also said that you have a
09:10	16 Q. Okay. And just to be clear, you would have	16	mineral management certification. Is that right?
	17 been in Hot Springs between -- I'm trying to do the	09:13	17 A. Uh-huh.
	18 math in my head, but what years were you in Hot	09:13	18 Q. And how did you get that?
	19 Springs?	09:13	19 A. That was through testing that's conducted by
09:10	20 A. I moved to Hot Springs in the summer of	20	the National Association of Royalty Owners.
	21 2007.	09:13	21 Q. And when did you get that, sir?
09:10	22 Q. Okay. And in the summer of 2007, you were	09:13	22 A. I'm -- I'm going to guess, 1997 or so, '96,
	23 still a full-time employee at JPMorgan. Is that	23	-7, -8, right in there.
	24 right?	09:13	24 Q. And is that still in effect?
09:10	25 A. No.	09:13	25 A. Yes.
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09:10	1 Q. No?	09:13	1 Q. Can you describe in your own words how a
09:10	2 A. I moved from a full-time employee to a	2	landman is different from a mineral manager?
	3 permanent part-time employee when I moved to Hot	09:13	3 A. Well, they -- they both do a lot of the same
	4 Springs, Arkansas. That would have been June of	4	things. Probably the biggest difference is a landman
	5 2007.	5	and -- And there's a distinction there between, let's
09:10	6 Q. And so, let me back up a little bit, and	6	say, a field landman and a company landman. A field
	7 I'll -- I'll get back to sort of your career	7	landman generally runs records in the counties and
	8 trajectory in a minute. Can you -- can you give me a	8	determines who owns the minerals, contacts those
	9 brief rundown on what your educational background is?	9	mineral owners, and negotiates the leases. Usually
09:11	10 A. Okay. I have a bachelor's degree from	10	they're hired by -- by a company or they work for
	11 University of Oklahoma in petroleum land management,	11	a -- a company that the oil company hires and they
	12 and that's the part that pertains to oil and gas.	12	send brokers out. That's -- that's one aspect of the
	13 I -- I have an associate's degree from Oklahoma State	13	job in a -- in a high-level sense.
	14 University in racetrack management.	09:14	14 The company landman directs that operation.
09:11	15 Q. In racetrack management?	15	They work with -- with the brokers on leasing. They
09:11	16 A. Uh-huh.	16	negotiate with other companies to participate in
09:11	17 Q. As in horses or dogs or both?	17	wells, negotiate farmouts, farm-ins, operating
09:11	18 A. Horses.	18	agreements. Pretty much they work with attorneys on
09:11	19 Q. Okay. And do you have any other	19	running title opinions prior to drilling. They work
	20 certifications or any other specialties?	20	with attorneys on division order title opinions.
09:11	21 A. Well, I have a Certified Mineral Management	21	After drilling, if it's a successful well, they
	22 certification. At -- at one time, I passed the --	22	oversee many times the negotiation of surface
	23 what's called the Certified Professional Landman	23	damages, all those kind of things.
	24 testing. That -- that lapsed. When I left the	09:15	24 The difference between that and a mineral
	25 industry in the middle '80s, the oil and gas industry	25	manager is, generally speaking, mineral managers do

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	1 not handle land work associated with drilling a -- a	09:18 1	Q. Okay. And what did you do after that?
	2 well.	09:18 2	A. I went to work for a company called Terra
09:15 3	Q. I'm sorry. Could you repeat that?	3	Resources in Houston, and I managed primarily south
09:15 4	A. Yes. They generally do not handle land work	4	Louisiana for them. They -- they put together oil
	5 associated with drilling a well, and that would be	5	and gas teams that consisted of a geologist, a
	6 having brokers buy oil and gas leases, that would be	6	geophysicist, a landman, and an engineer to cover the
	7 having attorneys run title opinions, that would be	7	area that you were assigned. So I worked on the
	8 negotiating with other companies to either	8	south Louisiana team.
	9 participate or to support the well with -- with	09:18 9	Afterwards, they promoted me and moved me to
	10 farmouts, farm-ins, dry hole contributions, that sort	10	Denver to handle the Williston Basin area to be part
	11 of thing. So, those are things that are not normally	11	of the Williston Basin team. And so I did that up
	12 done by a mineral manager versus what's done by the	12	and for a year with them, and I left them and went to
	13 landman for the company.	13	work for another company called Louisiana Land
09:16 14	Q. And is it fair to say that oftentimes the	14	Exploration, still handling the Williston Basin for
	15 mineral manager and the landman are on the opposite	15	them.
	16 sides of the transaction?	09:19 16	Q. And when did you leave Terra?
09:16 17	A. Well, the -- the -- the mineral manager can	09:19 17	A. 1981.
	18 be a landman. I was a landman working as a mineral	09:19 18	Q. Okay.
	19 manager. But -- and so, even in the oil industry,	09:19 19	A. Terra was in the process of being sold, and
	20 the two landmen can be on the opposite side: what one	20	they were a subsidiary of Farmland Industries, who
	21 wants -- wants, the other has, and there's a	21	was struggling at the time, and so they -- it was
	22 negotiation done involving that.	22	pretty well known they were selling the company, and
09:16 23	The same thing happens with the mineral	23	I went to work for LL&E then in '81 and worked for
	24 manager working for a trust or a management company	24	LL&E in Denver up until the start of 1987.
	25 that owns or controls -- their clients own or	09:19 25	At that point in time, oil and gas prices
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	1 controls minerals and leasehold, and the company		1 had plummeted, oil companies had pretty much pulled
	2 approaches them for a deal to either lease those		2 back on any kind of drilling and leasing, and so
	3 minerals or farmout on the leasehold, that sort of		3 they -- at the same time, there was a gas marketing
	4 thing.		4 company being formed by LL&E, and they offered me a
09:17 5	So, yeah, to answer your question, they're		5 position in New Orleans to -- to move there and do
	6 on opposite sides in that sense.		6 that as a natural gas marketer. So I did that and
09:17 7	Q. Okay. What type of education or training is		7 worked in New Orleans for two years. Left LL&E --
	8 typically required to become a mineral manager?	09:20 8	I was let go as part of a massive layoff in -- at the
09:17 9	A. You know, some universities have land	9	end of 1988, so moved back to Oklahoma in 1989.
	10 management degrees; other people were degreed in	09:20 10	Q. It's a somewhat cyclical business, depending
	11 other areas and were trained by an oil company. So	11	on how the commodities are doing, isn't it?
	12 it isn't necessarily that they had an oil and	09:20 12	A. Yeah, it's -- it's kind of feast or famine,
	13 gas-related degree. They might have had a business	13	yeah.
	14 degree and -- or other degrees, and -- and they were	09:20 14	Q. Yeah. When you were at Terra and LLE, were
	15 hired by the company and -- and trained.	15	you doing mineral management? Or exactly what was it
09:17 16	Q. And learned on the job?	16	you were doing?
09:17 17	A. Uh-huh.	09:20 17	A. I was a company landman.
09:17 18	Q. Now, we had gone through a bit of your	09:20 18	Q. Okay. And then, after you came back in
	19 employment history. Let's see. I think you	19	1989, what did you do then?
	20 mentioned that you graduated with a bachelor's in	09:20 20	A. Went back to school, and at the same time
	21 petroleum land management from the University of	21	I -- during -- during the time of the late '70s and
	22 Oklahoma, correct?	22	'80s, I had been involved in breeding and raising
09:18 23	A. Yes.	23	racehorses, and it was a -- you know, initially, it
09:18 24	Q. And what year was that?	24	was somewhat of a hobby, but it -- it became more of
09:18 25	A. 1976.	25	a stronger interest for me, so with the oil business

<p style="text-align: right;">Page 20</p> <p>1 falling out the way it did -- a new racetrack had 2 been opened here in Oklahoma City, and I felt like 3 that maybe I would pursue that area of interest, so I 4 went back to school to get a racetrack management 5 degree. At the same time, I went to work at 6 Remington Park and worked my way up to being a racing 7 official at Remington, did that for a couple of years 8 here in the state of Oklahoma and then was hired by 9 the Oklahoma Horse Racing Commission as director of 10 racing for a couple of years.</p> <p>09:21 11 One of the things that you were not allowed 12 to do was be involved in breeding and racing in that 13 position, and so --</p> <p>09:21 14 Q. Conflict?</p> <p>09:21 15 A. Yeah, conflict, and in Oklahoma, at -- at 16 least. In other states, they didn't view it that 17 way, but I felt, for me, the -- the thing that I was 18 interested in was something I couldn't be doing, so I 19 decided to go back to work in oil and gas, and that's 20 when I went to work for Liberty Bank in 1994.</p> <p>09:22 21 Q. And what did you do when you went to work 22 for Liberty Bank? What was your position?</p> <p>09:22 23 A. Initially, I was a junior property manager, 24 which was the only position that was open. But in 25 that role, I -- I was tasked with handling all of the</p>	<p style="text-align: right;">Page 22</p> <p>1 One, and in 2004, JPMorgan Chase acquired Bank One. 09:23 2 MR. WILLIAMS: I'm sorry. What year did 3 Bank One acquire the Liberty Bank? 09:23 4 THE WITNESS: In '97. 09:23 5 MR. WILLIAMS: Okay. I'm sorry. I didn't 6 mean to interrupt. 09:23 7 MR. CHRISTIAN: Oh, no problem. 09:23 8 BY MR. CHRISTIAN: 09:23 9 Q. And did your position or duties change 10 during this time period? 09:24 11 A. They did. In '97, I was promoted to the 12 head of the Oklahoma City office with the Bank One 13 merger, and I was in that role until 2005, when I was 14 promoted to the head of the merged oil and gas 15 department at JPMorgan Chase. Then to take that a -- 16 a step further, in -- that would have been in 2005 17 that I moved to Fort Worth with that promotion. 09:24 18 In March or April of 2007, I resigned the 19 managing director position with the -- and shared 20 that I would be moving to Arkansas. I was asked at 21 the time what I was going to be doing, and so my 22 intent was to work three days a week as a consultant 23 in Oil and Gas, and I was then offered a position 24 from -- working from the home office as a permanent 25 part-time employee from -- from Arkansas, and so</p>
<p style="text-align: right;">Page 21</p> <p>1 lease negotiations for the Oklahoma City office, 2 assisting with annual account reviews, and whatever 3 other duties that -- that were needed, I -- I would 4 do.</p> <p>09:22 5 Q. And so, at that point, were you working in 6 trusts when you were doing lease negotiations?</p> <p>09:22 7 A. It was an arm of the trust, yes. The trust 8 oil and gas area, we worked under the trust 9 department or as part of the trust department.</p> <p>09:22 10 Q. Was that the first time that you -- in 1994, 11 when you were at Liberty Bank, was that the first 12 time that you started negotiating leases on behalf of 13 mineral owners?</p> <p>09:23 14 A. Yes.</p> <p>09:23 15 Q. Okay. And how long did you do that?</p> <p>09:23 16 A. Until now.</p> <p>09:23 17 Q. Okay. And was Liberty Bank ultimately 18 acquired by Bank One?</p> <p>09:23 19 A. It was.</p> <p>09:23 20 Q. Okay. And you stayed through that 21 acquisition?</p> <p>09:23 22 A. Yes.</p> <p>09:23 23 Q. And then, were there additional 24 acquisitions?</p> <p>09:23 25 A. Well, Liberty was acquired in '97 by Bank</p>	<p style="text-align: right;">Page 23</p> <p>1 that's what I agreed to do. My understanding at that 2 point was that I was no longer going to be the head 3 of the oil and gas department. 09:25 4 Q. Okay. Let me back up a little bit. So, in 5 2005, JPMorgan and Bank One had already merged, 6 correct? 09:25 7 A. Uh-huh. 09:25 8 Q. Now, what was your title at what would now 9 be, I guess, JPMorgan? 09:26 10 A. From 2004 to 2005? 09:26 11 Q. Yes. 09:26 12 A. I'm going to say senior property manager, 13 senior mineral manager, something like that. I don't 14 remember. It changed back and forth. They -- they 15 changed titles. 09:26 16 Q. And then, in 2005, you were promoted -- and 17 I'm sorry. I just didn't catch the -- I know you 18 were the head of -- 09:26 19 A. Uh-huh. 09:26 20 Q. -- what was that? 09:26 21 A. I was -- I was promoted to -- I'm going to 22 say it was the head of Oil and Gas, and then part of 23 that title was managing director. 09:26 24 Q. And that was in JPMorgan's trust department? 09:26 25 A. Uh-huh. Actually, it was in the specialty</p>

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<p>1 asset department. I don't -- I don't think it was 2 considered the trust department.</p> <p>09:26 3 Q. Right. That's correct. Okay. Sometimes I 4 get a little mixed up. But Specialty Assets.</p> <p>09:27 5 So, then, from 2005 until 2007, you were the 6 head of Oil and Gas man -- managing director in 7 JPMorgan's Specialty Assets Group?</p> <p>09:27 8 A. For the oil and gas part of the Specialty 9 Asset Group.</p> <p>09:27 10 Q. Okay. And where were you located during 11 that time?</p> <p>09:27 12 A. Fort Worth.</p> <p>09:27 13 Q. Fort Worth. And then, in 2007, I -- it 14 sounds like you decided you -- you were going to move 15 to Hot Springs, Arkansas. Is that right?</p> <p>09:27 16 A. Uh-huh.</p> <p>09:27 17 Q. And was that your decision?</p> <p>09:27 18 A. It was.</p> <p>09:27 19 Q. Okay. And can you tell me why you decided 20 to go to Hot Springs?</p> <p>09:27 21 A. Well, going back to my horse racing 22 experience. We had gone to Hot Springs quite a few 23 times over the years and had just fallen in love with 24 the area, and so it was something that my wife and I 25 wanted to do. At the same time, there was an oil and</p>	<p>1 attrition at that time, mainly on the JPMorgan side, 2 so there was a hiring that needed to be done in the 3 Houston office and the Dallas office, so it was 4 working with -- with those offices on replacing 5 property managers that had left.</p> <p>09:30 6 It was -- part of it for me was -- was a 7 learning role, going from an Oklahoma City manager 8 for the oil and gas group to the national manager, 9 and there was a reporting component in continuing to 10 work with the JPMorgan property managers on being 11 more active in a -- in a sales role, which the model 12 that was at Bank One was the model adopted by 13 JPMorgan Chase, even those were the acquiring bank, 14 and so that was -- that was part of that role. And 15 at -- at the same time, I still had approximately 60 16 accounts of my own that I -- that I had to manage.</p> <p>09:31 17 Q. Do you recall -- You were national mineral 18 manager between 2005 and 2007, right?</p> <p>09:31 19 A. Uh-huh.</p> <p>09:31 20 Q. Do you recall how many mineral managers you 21 had reporting to you at that time?</p> <p>09:31 22 A. I would say 20, 21. Actually, reporting to 23 me, that's not correct. We had a hierarchy. There 24 were 20 or 21 total property managers on -- on staff, 25 and our hierarchy was that each office had a senior</p>
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<p>1 gas play going on in Arkansas, and I felt like 2 there'd be an opportunity to continue to work as a 3 consultant. So those two things combined was what 4 led us to -- to move there.</p> <p>09:28 5 Q. And -- and which oil and gas play was that?</p> <p>09:28 6 A. The Fayetteville Shale.</p> <p>09:28 7 Q. And did you have any involvement in the 8 Fayetteville Shale while you were in Hot Springs?</p> <p>09:28 9 A. No.</p> <p>09:28 10 Q. Okay. Did you have any involvement in horse 11 racing?</p> <p>09:28 12 A. Yes, I did.</p> <p>09:28 13 Q. Okay. Which is one of the reasons why you 14 wanted to go, right?</p> <p>09:28 15 A. Well, the involvement was in racing, but not 16 in Arkansas, so I continued with that up until just a 17 few years ago, so.</p> <p>09:29 18 Q. So, let me ask you generally. When you were 19 at JPMorgan in 2005 through 2007, can you describe 20 what your duties were?</p> <p>09:29 21 A. It was a combination of -- Initially, we 22 merged two different groups, and so that involved 23 working with the two groups and trying to draft a new 24 set of procedures that would work for the combined 25 group. It involved overseeing that we'd -- There was</p>	<p>1 property manager, and that was the person that 2 actually reported to me, was the senior property 3 manager. Each of those offices had anywhere from one 4 or two up to five or six property managers, depending 5 on the location. And for example, in Oklahoma City, 6 there was -- there were two property managers; in 7 Houston, I want to say four, five or six; in Dallas, 8 there were four or five or six; in Fort Worth, there 9 were two separate teams, if you will, that had three 10 or four on each team. So, all in all, there were 11 four or five or six senior property managers that -- 12 that reported to me.</p> <p>09:32 13 Q. And we've discussed Oklahoma and Texas. Did 14 you have any responsibility for mineral management in 15 states outside of Oklahoma and Texas?</p> <p>09:32 16 A. Did I, personally?</p> <p>09:32 17 Q. Yes.</p> <p>09:32 18 A. I had an account that was based in 19 Detroit -- that's where the original account -- or 20 the account originated -- that had properties in 21 Michigan, so I was responsible for that. I had an 22 account that had properties in Ohio; I was 23 responsible for that. I had accounts that had 24 properties in many states: Oklahoma, Texas, to 25 Mexico, Louisiana, so I was responsible for those.</p>

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<p>1 That's kind of the nature of the business, is the</p> <p>2 clients may live in one state and have properties</p> <p>3 scattered over numerous states.</p> <p>09:33 4 Q. And do you happen to remember the names of</p> <p>5 the five or six senior mineral managers that were</p> <p>6 reporting to you during that time period?</p> <p>09:33 7 A. Uh-huh. In Fort Worth, it was Tim Raetz and</p> <p>8 Bill Coats. In Dallas, it was initially Iris</p> <p>9 Bradley; later, she was replaced by Sheri Henderson.</p> <p>10 In Oklahoma City, it was Kelly Hightower, was later</p> <p>11 replaced by Mike Turman. In Houston -- I'll just go</p> <p>12 ahead and give Houston -- it was Greg Crow. In -- I</p> <p>13 believe later H.L. Tompkins was hired there. In</p> <p>14 Shreveport, it was Lynn Stephens, who later married</p> <p>15 and became Lynn Higginbotham. And in San Antonio --</p> <p>16 later on she was hired by Greg Crow as a property</p> <p>17 manager and then promoted to senior property manager</p> <p>18 in San Antonio, was Patty Ormond.</p> <p>09:34 19 Q. Okay. Do you recall when she became a</p> <p>20 senior property manager, Ms. Ormond?</p> <p>09:34 21 A. I'm -- I'm going to guess 2006, late -6,</p> <p>22 early -7, somewhere in there.</p> <p>09:35 23 Q. And -- and at that time, during 2005-2007</p> <p>24 time period, who were you reporting to?</p> <p>09:35 25 A. Initially, I was reporting to Paul Midkiff,</p>	<p>1 time Al Leach?</p> <p>09:37 2 A. I don't recall.</p> <p>09:37 3 Q. Do you recall ever working with Gary Aymes?</p> <p>09:37 4 A. Yes.</p> <p>09:37 5 Q. Can you describe what you did with Gary</p> <p>6 Aymes?</p> <p>09:37 7 A. I can't recall, but I do -- do recall the</p> <p>8 name.</p> <p>09:37 9 Q. And he -- he was a fiduciary officer at the</p> <p>10 time you were still employed with JPMorgan. Does</p> <p>11 that sound right to you?</p> <p>09:38 12 A. Uh-huh.</p> <p>09:38 13 Q. Okay. Did you ever have any personal</p> <p>14 interaction with him, do you know?</p> <p>09:38 15 A. You know, I -- I've -- I may have. I don't</p> <p>16 recall what it was involving.</p> <p>09:38 17 Q. And so, you have now been at Heritage Trust</p> <p>18 for two years. Is that right?</p> <p>09:38 19 A. That's right.</p> <p>09:38 20 Q. And when did you start at Heritage Trust?</p> <p>09:38 21 A. In March of 2012.</p> <p>09:38 22 Q. Okay. And what is your title at Heritage</p> <p>23 Trust?</p> <p>09:38 24 A. I'm a senior property manager.</p> <p>09:38 25 Q. And what, specifically, do you do at</p>
Page 29	Page 31
<p>1 who was the head of Specialty Assets. Later that</p> <p>2 became Kevin Smith.</p> <p>09:35 3 Q. And so, in 2007, then you went to Hot</p> <p>4 Springs and started working as a permanent part-time</p> <p>5 employee three days a week. Is that right?</p> <p>09:36 6 A. Uh-huh.</p> <p>09:36 7 Q. And can you tell me when you ultimately left</p> <p>8 that position?</p> <p>09:36 9 A. Would have been the end of -- been December,</p> <p>10 I want to say 2010 or '11. Let me kind of back up</p> <p>11 from here. I've been here two years and I was out of</p> <p>12 work for a year, so what would that add up to? 2011,</p> <p>13 December 2011.</p> <p>09:36 14 Q. And why did you leave JPMorgan in about</p> <p>15 2011?</p> <p>09:36 16 A. It was either -- that I can add it up, and</p> <p>17 it's either '11 or '12, but it was they terminated my</p> <p>18 position.</p> <p>09:36 19 Q. Do you know why?</p> <p>09:36 20 A. No. It was -- it was in conjunction with</p> <p>21 terminating the -- I'm trying to think if there were</p> <p>22 other offices that they were also shutting down, if</p> <p>23 you will. So I think it was part of that.</p> <p>09:37 24 Q. And at the time that you were at JPMorgan in</p> <p>25 2005 through 2007, was a fiduciary officer at that</p>	<p>1 Heritage Trust?</p> <p>09:38 2 A. I manage oil and gas properties and clients'</p> <p>3 accounts that are either in a trust relationship or</p> <p>4 an agency relationship with Heritage Trust.</p> <p>09:39 5 Q. And when you say you manage oil and gas</p> <p>6 properties, can you tell me what the day-to-day is on</p> <p>7 that?</p> <p>09:39 8 A. Day-to-day would involve negotiating oil and</p> <p>9 gas leases, reviewing -- doing annual account reviews</p> <p>10 on a -- on a monthly basis as those come up, handling</p> <p>11 title issues, if -- if there are title issues</p> <p>12 associated with a proceeding well, in order to get</p> <p>13 money that's in -- revenues that are in suspense</p> <p>14 released; communicating with clients, what's going on</p> <p>15 in their accounts as to the oil and gas.</p> <p>09:40 16 Q. Anything else that comes to mind?</p> <p>09:40 17 A. Not off the top of my head, no.</p> <p>09:40 18 Q. Now, you're aware that this case that we're</p> <p>19 here about today involves the South Texas Syndicate</p> <p>20 Trust, correct?</p> <p>09:40 21 A. Yes.</p> <p>09:40 22 Q. Was the STS Trust one of the accounts that</p> <p>23 was under your purview before you left JPMorgan in</p> <p>24 2007?</p> <p>09:40 25 A. Well, it was not one of my accounts that I</p>

<p style="text-align: right;">Page 32</p> <p>1 was responsible for managing. I believe it was an 2 account that was one of the accounts in the oil and 3 gas area that was managed by -- well, it would have 4 been originally San Antonio and moved to Houston, is 5 my understanding -- this is before my time -- and 6 then moved back to San Antonio. But it was never 7 under, directly under, my purview per se as -- as the 8 manager of that account, no.</p> <p>09:41 9 Q. Okay. And do you recall who was managing 10 that account at JPMorgan?</p> <p>09:41 11 A. Patty Ormond.</p> <p>09:41 12 Q. Did she report to you on the STS account?</p> <p>09:41 13 A. She reported to me on -- on everything that 14 she was responsible for, so that -- that would 15 include the STS account.</p> <p>09:41 16 Q. One -- one of the issues in this case 17 involves six Petrohawk leases that were signed 18 between May and December of 2008 with regard to 19 certain amounts of STS mineral acreage. Now, you 20 said you left JPMorgan in 2007. What month was that?</p> <p>09:42 21 MR. WILLIAMS: Objection to form.</p> <p>09:42 22 A. June. As far as leaving -- Now, let me 23 rephrase that. You want to know -- know when I left 24 Fort Worth?</p> <p>09:42 25 Q. Yeah. I should -- I should have asked that</p>	<p style="text-align: right;">Page 34</p> <p>1 position as national mineral manager in June of 2007, 2 it would not be likely that you would have had any 3 preliminary discussions with Ms. Ormond or anyone 4 else at JPMorgan about those leases, right?</p> <p>09:43 5 A. Not the leases particularly. There were 6 some general discussions about the prospects that she 7 was trying to develop and -- and promote to the 8 industry to get interest from the oil industry to 9 take a lease and drill a well. I was aware of that. 10 But as far as the specifics of a -- of a particular 11 lease negotiation, no.</p> <p>09:44 12 Q. And correct me if I'm wrong. Were the 13 discussions that you had with her about potentially 14 going to NAPE and marketing some of the deeper rights 15 on the STS acreage?</p> <p>09:44 16 A. Yes.</p> <p>09:44 17 Q. And do you remember specifically what deep 18 rights she was trying to market at NAPE?</p> <p>09:44 19 A. I do not remember specifically.</p> <p>09:44 20 Q. It wasn't the Eagle Ford, though, was it?</p> <p>09:44 21 A. I mean, it might have been. At that time, 22 it -- it could have been other -- I think there were 23 multiple formations that they were trying to 24 represent as being prospective. The Eagle Ford may 25 have been one of those. But it was very early in</p>
<p style="text-align: right;">Page 33</p> <p>1 better.</p> <p>09:42 2 A. Okay. That's what I thought you meant.</p> <p>09:42 3 Q. You -- you left your position as national 4 mineral manager at JPMorgan in June of 2007. Is that 5 right?</p> <p>09:42 6 A. That's correct.</p> <p>09:42 7 Q. And then you moved to Fort -- to Hot 8 Springs --</p> <p>09:42 9 A. Yes.</p> <p>09:42 10 Q. -- Arkansas --</p> <p>09:42 11 A. Uh-huh.</p> <p>09:42 12 Q. -- and you did special projects for JPMorgan 13 for a few years until you left, I think it was 2011. 14 Is that right?</p> <p>09:42 15 A. I think so.</p> <p>09:42 16 Q. Okay. And we already discussed the special 17 projects that you did, so I -- I think I'm -- I'm 18 clear on that. Given that you left your position at 19 JPMorgan as national mineral manager in June of 2007, 20 is it -- is it fair to assume that you never talked 21 with Patty Ormond or anyone else at JPMorgan about 22 any of the six STS leases to Petrohawk that were 23 signed between May and December of 2008?</p> <p>09:43 24 A. That's correct.</p> <p>09:43 25 Q. And I guess also, because you left your</p>	<p style="text-align: right;">Page 35</p> <p>1 that play, so it wasn't the prospective formation 2 that -- that it is now, for example. But she had 3 worked with a geophysicist to reprocess seismic data 4 and develop prospects on -- on the property and had 5 maps and such that she presented at NAPE. And I -- I 6 attended one of the NAPEs -- I believe it was -- I'm 7 going to say 2008 -- where those were -- were being 8 presented. She was still trying to find someone to 9 have that -- you know, encourage someone to take an 10 interest in -- in the property, buy leases from 11 JPMorgan, and drill wells.</p> <p>09:45 12 Q. And the geophysicist, do you recall if that 13 was Bob Mueller?</p> <p>09:45 14 A. That sounds familiar, but I'm -- I'm not 15 sure if that was correct or not.</p> <p>09:46 16 Q. And although I think I know the answers to 17 these questions, I'm just going to go ahead and 18 introduce a couple of these leases as exhibits just 19 so we can clarify. I'm handing you what has 20 previously been marked as Exhibit 7 and I will also 21 hand you what has previously been marked as 22 Exhibit 9. And I'll represent to you that these 23 are -- these are leases that were signed as between 24 STS on behalf of JPMorg -- JPMorgan on behalf of STS 25 with Petrohawk in 2008, and I just wanted to ask you,</p>

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09:47	1 Have you -- have you ever seen these leases before?	09:51	1 A. No. With -- with Petrohawk?
09:47	2 A. To my knowledge, no.	09:51	2 Q. Well, have you ever seen a letter that's
09:47	3 Q. Have you ever talked with Patty Ormond or	3	signed by a JPMorgan employee and an oil producer
09:47	4 anyone at JPMorgan about these leases?	4	where it's a recommendation to commit certain acreage
09:47	5 A. No.	5	as opposed to an actual lease?
09:47	6 Q. And I'm going to do the same with what has	09:51	6 A. I don't recall.
09:47	7 been previously marked as Exhibit 11. If you'd take	09:51	7 Q. I'm just trying to find out whether or not
09:47	8 a look at that. This is a July of 2008 lease to	8	it was normal business practice at JPMorgan to use
09:47	9 Petrohawk regarding certain STS mineral acreage.	9	these kinds of letters.
09:47	10 Have you -- have you ever seen that lease before?	09:51	10 A. I -- I think it's normal business practice
09:47	11 A. No.	11	in the oil and gas industry to have letter agreements
09:47	12 Q. Did you ever talk with Patty Ormond or	12	that are followed up by actual agreements, if you
09:47	13 anyone else at JPMorgan about that lease?	13	will. The letter agreements are -- are a -- a letter
09:47	14 A. No.	14	of intent, which is what this one's called. But I
09:47	15 Q. And you never talked with anyone at JPMorgan	15	don't recall that -- that it was normal. It -- it
09:47	16 about any of these three leases and the negotiation	16	may have been used. I don't recall.
09:47	17 processes. Is that fair to say?	09:52	17 Q. Did -- did you, when you were at JPMorgan,
09:48	18 A. That's fair to say, yeah, I did not.	18	have any view on whether this was a binding
09:48	19 Q. Let me hand you the last three of the six	19	commitment when it was signed by both of the parties,
09:48	20 leases, which have previously been marked as	20	or was it simply something less than binding as you
09:48	21 Exhibits 15, 17, and 19. And just the same	21	saw these used?
09:48	22 questions. These are -- these three leases are	09:52	22 MR. WILLIAMS: Objection, form.
09:48	23 Petrohawk leases that were signed on behalf of the	09:52	23 A. This -- I've never seen this before, okay,
09:48	24 STS Trust in December of 2008. Have -- have you ever	24	and I don't recall seeing others, so I -- I don't
09:48	25 seen any of these three leases before?	25	know that I can answer that.
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09:49	1 A. No.	09:52	1 Q. Fair enough. So, before you left your
09:49	2 Q. Did you play any role in the negotiation of	2	position as national mineral manager at JPMorgan in
09:49	3 these leases?	3	2007, can you tell me what your involvement was with
09:49	4 A. No.	4	the STS Trust?
09:49	5 Q. Have you ever talked with anyone at JPMorgan	09:53	5 A. I didn't have any direct involvement with
09:49	6 about any of these three leases?	6	STS Trust.
09:49	7 A. No.	09:53	7 Q. Can you tell me what your indirect
09:49	8 Q. Let me go ahead and hand you what has	8	involvement was?
09:49	9 previously been marked as Exhibit 34. Could you take	09:53	9 A. Actually, I didn't have any involvement with
09:49	10 a look at that for a second?	10	STS Trust.
09:50	11 A. (Witness complies.)	09:53	11 Q. No direct or indirect involvement?
09:50	12 Q. Well, this is a letter dated October 22nd,	09:53	12 A. That's right.
09:50	13 2008, from Petrohawk, and it is signed by a Charles	09:53	13 Q. Do you recall any reports that came to you
09:50	14 Cusack and Patricia Schultz-Ormond. And this letter	14	on the STS Trust?
09:50	15 discusses leasing of certain remaining acreages, STS	09:53	15 A. No, I don't recall any. I -- I would -- I
09:50	16 acreages, to Petrohawk. Do you see that?	16	would say there was probably mention in -- in the
09:50	17 A. Okay.	17	monthly reporting of -- of -- but I don't know that I
09:51	18 Q. Have you ever seen this letter before?	18	can't recall any of that. I'm -- I'm just saying
09:51	19 A. No.	19	maybe so.
09:51	20 Q. Have you ever talked with anyone at JPMorgan	09:54	20 Q. Was it one of -- of many accounts that your
09:51	21 about this letter?	21	senior mineral managers were responsible for? Is
09:51	22 A. No.	22	that why it's a little difficult to --
09:51	23 Q. Have you ever seen anything like this letter	09:54	23 A. Well, that's -- it's that, and -- and the
09:51	24 at JPMorgan?	24	only thing I really recall of STS was that Patty had
09:51	25 MR. WILLIAMS: Objection, form.	25	gone to a great deal of -- of work and effort to try

<p style="text-align: right;">Page 40</p> <p>1 to create activity on the property and she was 2 involved in that. And that was the amount of 3 knowledge that I had, was that she was working with 4 the geophysicist, and they were developing prospects 5 that they hoped they could grant leases on and -- and 6 cause drilling.</p> <p>09:54 7 And it seemed like to me she was going above 8 and beyond what -- what is normally done by a mineral 9 property manager in most oil and gas trust 10 departments, because it involved a -- a level of 11 expertise that you usually see on the oil company 12 side, where you're generating actual drilling 13 prospects, which is what she was trying to do, and I 14 was very much impressed with that.</p> <p>09:55 15 Q. Do you recall whether you had any direct or 16 indirect involvement with the STS Trust after you 17 left your position as national mineral manager in 18 2007?</p> <p>09:55 19 A. The -- I don't know if you'd consider this 20 involvement. I -- I was asked to go to San Antonio 21 and -- and collect files, and those may have been STS 22 files. I -- I don't really recall. They may have 23 been other account files and STS was the one that was 24 left behind, so there had to be a segregation of the 25 two.</p>	<p style="text-align: right;">Page 42</p> <p>09:57 1 Q. Do you know what the process was at JPMorgan 2 that was used when an oil producer would request a 3 primary term extension?</p> <p>09:57 4 A. I'm trying to -- I'm trying to figure out 5 how to -- how to answer. The process. I think it's 6 like any lease negotiation, any leasing, you have to 7 look at it on its merits as to why they were 8 requesting it. What was the compensation, if any, 9 that was being offered for it? Was there a reason 10 that they were offering it? Those would all have to 11 be explored by the property manager handling -- 12 handling that account and a determination made 13 whether it was reasonable or not.</p> <p>09:58 14 Q. And would the property manager make that 15 determination or would that go higher up the chain?</p> <p>09:58 16 A. Well, it was -- it was -- each property 17 manager was tasked with managing the properties in 18 the accounts that -- that were assigned to them, and 19 so they would have conducted and handled that 20 negotiation.</p> <p>09:58 21 Q. And would they have been allowed to do an 22 amendment to, for example, extend a primary term 23 without any further review or sign-off?</p> <p>09:59 24 A. There was always a -- a two-part sign-off on 25 a -- on a lease. I don't recall any extensions that</p>
<p style="text-align: right;">Page 41</p> <p>09:55 1 But that -- again, the -- the only thing I 2 recall was the -- the prospects that she was trying 3 to promote in the industry, the boards that she 4 brought to NAPE that had the seismic sections on them 5 and the maps showing the -- the prospects relative to 6 the properties. But other than that, no.</p> <p>09:56 7 Q. Do you recall whether, during your entire 8 tenure at JPMorgan, which would include in 2005 all 9 the way up to July through -- I think you left in 10 2011. Is that right?</p> <p>09:56 11 A. Well, I guess I need to go back and -- and 12 figure it.</p> <p>09:56 13 Q. 2011 or 2012?</p> <p>09:56 14 A. Well, I -- be December, I guess, of 2011. 15 Let me think about it. No. It would be December of 16 2010. I was off work in '11. I started work for 17 Heritage Trust in March of 2012.</p> <p>09:57 18 Q. Okay. So you -- you were at JPMorgan in 19 some capacity between 2005 to 2010. Is that right?</p> <p>09:57 20 A. Yes.</p> <p>09:57 21 Q. Okay. Do you recall whether, during that 22 time period, you had any role in any lease extensions 23 or lease amendments of STS minerals involving Hunt 24 Oil or Broad Oak?</p> <p>09:57 25 A. To my recollection, I did not.</p>	<p style="text-align: right;">Page 43</p> <p>1 were -- that were ever done, so I -- I would have 2 thought that that would have been a two-part sign-off 3 as well. But I -- I don't recall any ever being 4 done.</p> <p>09:59 5 Q. Now, at Heritage Trust, how does a decision 6 whether to grant a primary term extension get made 7 and addressed?</p> <p>09:59 8 A. Hasn't come up.</p> <p>09:59 9 Q. Do you know what the process would be if it 10 did come up?</p> <p>09:59 11 A. It would be the same thing that I just 12 described: Looking at the reason for it. Was there 13 consideration being offered for it? Was it a -- a 14 good situation for the client to do?</p> <p>10:00 15 Q. And so, you would look at the amount of 16 consideration being offered, correct?</p> <p>10:00 17 A. Correct.</p> <p>10:00 18 Q. And would you also look at what market rates 19 for similar acreage were going for at the time of the 20 extension?</p> <p>10:00 21 A. I -- I think we would take that into 22 account.</p> <p>10:00 23 Q. Would there be a review process at Heritage, 24 or would the property manager make the decision by 25 his or herself?</p>

<p style="text-align: right;">Page 44</p> <p>10:00 1 A. The property manager negotiates a lease or 2 if there is an extension -- I don't recall ever 3 having to negotiate, at Heritage, a specific 4 extension. When you're talking extension, are you 5 talking one month, two months, one year? What -- you 6 know, exactly what -- what is it? That has to be 7 taken into account.</p> <p>10:01 8 Let's say that it's -- there's regulatory 9 issues or rate issues. They're wanting a one-month 10 extension. You know, that's, to me, different than 11 someone that's wanting -- that's -- that's had the 12 lease for three years, let's say, and now they're 13 wanting a three-year extension. That would be 14 treated as a new lease negotiation as far as bonus 15 consideration goes, and the lease itself would have 16 to be looked at to determine if that's still the form 17 that we would want to live with. It might be that 18 we're willing to grant a whole new lease rather than 19 an extension of -- of the old lease.</p> <p>10:01 20 And I have been approached at Heritage for 21 an extension where we would not grant extensions. 22 We'd grant a new lease to you, but we're not going to 23 extend that lease because, you know, frankly, there 24 were bad provisions in that. That might have been a 25 lease that was negotiated by a predecessor to us or</p>	<p style="text-align: right;">Page 46</p> <p>1 that if you don't grant the extension, they're going 2 to drill it now; but if you grant the extension, 3 they're still going to drill it, but you're going to 4 get more bonus consideration for your client, so it's 5 to their benefit to negotiate that extension, 6 whatever the bonus might be, okay.</p> <p>10:03 7 But it -- it might be they're saying, "Well, 8 if we can't get the extension, we're going to go 9 ahead and drill it." Well, you're weighing, Well, is 10 it best for them to grant the extension or to force 11 the drilling right now and not get the additional 12 bonus. So that's a -- that's a part of the 13 consideration.</p> <p>10:03 14 Q. Yeah, yeah. So, if you -- Yeah. If you 15 could get extra bonus money, maybe you're willing to 16 wait three months --</p> <p>10:04 17 A. Uh-huh.</p> <p>10:04 18 Q. -- for a well, right?</p> <p>10:04 19 A. Right.</p> <p>10:04 20 Q. Okay. And if you -- if you were to -- Well, 21 I -- I think I've already gone over that. I was 22 going to ask about a review process, but I think 23 you -- you -- you told me you haven't had to do one 24 yet, so you're not sure, exactly, at Heritage how the 25 review process would work on an extension, let's say,</p>
<p style="text-align: right;">Page 45</p> <p>10:02 1 wasn't a Heritage lease but a new account, and they 2 wanted to extend it, and we said, "We'll -- we'll 3 grant you a new lease. We won't extend that lease."</p> <p>10:02 4 Q. And so, you have to look at the 5 opportunities to improve the lease for the client's 6 benefit?</p> <p>10:02 7 A. Uh-huh.</p> <p>10:02 8 Q. Is that right?</p> <p>10:02 9 A. Uh-huh.</p> <p>10:02 10 Q. And you would also want to look at what 11 current bonus rates were in the market to see if you 12 could improve on what had been done before?</p> <p>10:02 13 A. I think we'd look at bonus consideration to 14 see if what they were asking for is in line with -- 15 you know, if it was an open acreage situation, how 16 would we handle it.</p> <p>10:02 17 Q. And if --</p> <p>10:02 18 A. Can I add something to it?</p> <p>10:02 19 Q. Sure, sure.</p> <p>10:02 20 A. You know, sometimes the extension, you have 21 an option of -- They're -- they're asking for an 22 extension but it -- Let's say, for example, they're 23 wanting to drill a well, and they have the option of 24 drilling that well now or drilling it three months or 25 six months down the road. And -- and it might be</p>	<p style="text-align: right;">Page 47</p> <p>10:04 1 a primary term?</p> <p>2 A. We -- we negotiate leases, and it's -- 3 it's -- an extension is basically handled the same 4 way. What -- You look at the -- the factors 5 surrounding it. And like I said, I -- I was 6 approached for an extension and said, "No, we're not 7 going to grant an extension." I've been approached 8 for renewals where the lease expired and they wanted 9 to renew the old lease through ratification and 10 extension language, and I didn't like the old lease 11 form, so I said, "We'll -- we'll grant a new lease, 12 but I'm not going to use that form."</p> <p>10:05 13 We have a two-party sign-off at Heritage 14 just like at JPMorgan, and as far as I know, every 15 trust management company probably has that. So it 16 would be the -- the same thing. There's discussion. 17 We're a much smaller organization at Heritage, where 18 we regularly sit around a table and talk about what's 19 going on and talk about the deals we're working on, 20 and -- and in certain instances, we will bounce them 21 off each other.</p> <p>10:05 22 The -- whatever's going on, we use our 23 internal information systems to see if somebody else 24 is already working with this company and they've 25 already negotiated a deal and negotiated a lease</p>

<p style="text-align: right;">Page 48</p> <p>1 form. If that's the case and it's been approved, 2 then there's no sense in going through that again and 3 we've already got an approved form. So these things 4 are all hashed out.</p> <p>10:06 5 Q. When you were at JPMorgan, did they have 6 similar group discussions about leases and potential 7 amendments in the way that you just described as with 8 Heritage?</p> <p>10:06 9 A. I think -- I think the local offices would 10 use the information. There was a spreadsheet that 11 was maintained at one time of all the leasing 12 opportunities that you could refer to. Later on, 13 that information was populated in the software system 14 so you could run a report to see what had already 15 been done, if anything, in an area, and you would 16 first go to that. And it was not unusual for 17 property managers to -- to discuss amongst 18 themselves. And I can't tell you specifically a 19 situation, but I -- I think there was oftentimes 20 discussion on -- on deals that were being made, 21 especially if someone had already worked with the 22 company or it was in the process.</p> <p>10:07 23 One of the things that we tried to do is if 24 your account had gotten a lease offer from a company 25 and I had an account that the same company was</p>	<p style="text-align: right;">Page 50</p> <p>10:08 1 Q. So there wouldn't be a great amount of 2 detail that any particular mineral manager would be 3 able to go into. Is that -- is that a fair 4 statement?</p> <p>10:08 5 A. Well, I think it was up to them. If you 6 were negotiating on a half-acre lease, you weren't 7 going to spend a lot of time going into detail. If 8 you were negotiating on a -- on something else, you 9 might go into more detail.</p> <p>10:09 10 And you mentioned 20. There -- there would 11 be the whole department, which was upwards of, 12 between property managers and assistants, 40, and -- 13 and then some additional operations people involved. 14 So there might have been as many as 45 or 50 people 15 on the call. So it was a high-level call and -- and 16 not a tremendous amount of detail.</p> <p>10:09 17 Q. Do -- do you recall whether there was 18 anybody who took any minutes of these calls?</p> <p>10:09 19 A. Not -- not specifically. I -- I would jot a 20 note down if something was of something to me, I 21 would take the -- But there were not specific minutes 22 that were then written down and sent back out, no.</p> <p>10:09 23 Q. Was there anything ever circulated after the 24 calls to sort of memorialize the general issues that 25 had been discussed?</p>
<p style="text-align: right;">Page 49</p> <p>1 offering in the same area, that we would combine that 2 into a single negotiation, although there would be 3 two separate issues, but it didn't make sense to have 4 two people negotiating essentially with one company 5 on the same area. So that would be discussed and 6 determined who would handle that.</p> <p>10:07 7 So, at -- at the national level, there were 8 periodic calls where whatever projects someone was 9 working on, they would mention those in the call, and 10 that was usually by -- by area and -- and account, 11 and sometimes they would mention, you know, the 12 companies that were interested. So, that sort of 13 thing.</p> <p>10:08 14 Q. Okay. And those national calls, who -- 15 who -- who was typically on those calls?</p> <p>10:08 16 A. Everybody in the -- in the group.</p> <p>10:08 17 Q. And how often did those calls occur?</p> <p>10:08 18 A. I -- I don't recall. Every -- maybe 19 monthly, but I don't recall.</p> <p>10:08 20 Q. Do you recall how long they would last?</p> <p>10:08 21 A. Maybe -- maybe an hour.</p> <p>10:08 22 Q. And so there would be, give or take, 21 23 total mineral management folks on the call. Is that 24 right?</p> <p>10:08 25 A. Uh-huh, yes.</p>	<p style="text-align: right;">Page 51</p> <p>10:10 1 A. Not -- no, not that I recall. An exception 2 to that might be if there was something that -- for 3 example, that -- that I couldn't give you a 4 particular thing, but let's say Kevin had -- had 5 shared that he wanted everyone to know about, there 6 might be a follow-up on that particular item that 7 actually came from him or came to me to disseminate 8 to everybody. So there might have been some of that.</p> <p>10:10 9 Q. Let -- let me just give you an example, is 10 let's say somebody was getting ready to lease a 11 10,000-acre parcel. What are the kind of details 12 that would typically be discussed and -- in 13 connection with that type of a transaction on one of 14 these calls?</p> <p>10:10 15 A. You know, I don't -- I don't recall from 16 the -- up till my leaving that there was any, really, 17 specific discussion of that type of a deal, so I -- I 18 can't say that I -- I recall that.</p> <p>10:11 19 Q. And when you say "that type of a deal," do 20 you mean that's a little big?</p> <p>10:11 21 A. A 10,000-acre deal, yeah.</p> <p>10:11 22 Q. That's a big deal?</p> <p>10:11 23 A. Uh-huh.</p> <p>10:11 24 Q. What about if somebody was getting ready to 25 lease a 2500-acre parcel? Would -- would you recall</p>

<p style="text-align: right;">Page 52</p> <p>1 maybe what type of discussion would be had?</p> <p>10:11 2 A. I -- Honestly, I -- I think that they --</p> <p>3 they would mention that -- the client, the deal, the</p> <p>4 area, and the terms they were negotiating.</p> <p>10:11 5 Q. The client, you said?</p> <p>10:11 6 A. Uh-huh.</p> <p>10:11 7 Q. And then you said the deal?</p> <p>10:11 8 A. The general terms of the -- of the trade.</p> <p>10:11 9 Q. And -- and what do you mean by general</p> <p>10 terms?</p> <p>10:11 11 A. Bonus, royalty.</p> <p>10:12 12 Q. Anything else?</p> <p>10:12 13 A. Location, generally by county and -- and</p> <p>14 state.</p> <p>10:12 15 Q. Anything else?</p> <p>10:12 16 A. No.</p> <p>10:12 17 Q. Is that a no?</p> <p>10:12 18 A. That would be a no, yeah.</p> <p>10:12 19 Q. And so you said that during your tenure at</p> <p>20 JPMorgan, you never had occasion to discuss a lease</p> <p>21 as large as 10,000 acres on any one of these calls?</p> <p>10:12 22 A. Not that I recall.</p> <p>10:12 23 Q. How come there aren't a lot of 10,000-acre</p> <p>24 leases out there?</p> <p>10:12 25 A. Well, there's not that many people own that</p>	<p style="text-align: right;">Page 54</p> <p>1 were held with very few wells.</p> <p>10:14 2 Then we got away from that, and we had Pugh</p> <p>3 clauses, depth clauses, continuous drilling</p> <p>4 obligations. So, then, once -- once all that</p> <p>5 stopped, any lands that were no longer held by</p> <p>6 production were released and opened to be leased</p> <p>7 again.</p> <p>10:14 8 Q. So, generally, your goal as a mineral</p> <p>9 manager would be to prevent large tracts of acreage</p> <p>10 from being held with very few wells being drilled on</p> <p>11 the land?</p> <p>10:15 12 A. I would think so, yes.</p> <p>10:15 13 Q. What is the process at Heritage if Heritage</p> <p>14 believes that a lessee has failed to develop a -- a</p> <p>15 parcel of land as required by the lease, failed to</p> <p>16 drill or otherwise develop?</p> <p>10:15 17 A. Contact the operator and discuss that with</p> <p>18 them.</p> <p>10:15 19 Q. And how quickly does that happen?</p> <p>10:15 20 A. Well, it's as soon as you learn, which isn't</p> <p>21 always that easy to find out that -- that drilling</p> <p>22 stopped. But once you learn it and you read the</p> <p>23 agreement and decide that the terms and provisions</p> <p>24 are no longer being met, then you contact them as</p> <p>25 soon thereafter.</p>
<p style="text-align: right;">Page 53</p> <p>1 size of a -- of a tract of land.</p> <p>10:12 2 Q. Well, of the folks that do, do they</p> <p>3 typically -- when they want to lease out 10,000</p> <p>4 acres, do they typically do it in one lease, or do</p> <p>5 they divide it up into smaller leases?</p> <p>10:13 6 A. You know, I think that -- that depends on</p> <p>7 the circumstances at the time of the negotiation,</p> <p>8 where it's located, what's going on in the area, that</p> <p>9 sort of thing. So I don't know that you can say you</p> <p>10 typically do it one way or the other.</p> <p>10:13 11 Q. What are the advantages to dividing it up</p> <p>12 into smaller plots?</p> <p>10:13 13 A. I -- I would say that it breaks it up to</p> <p>14 where there's separate drilling obligations, that</p> <p>15 there's separate explorations; that they might drill</p> <p>16 on -- on one. And if it's all one block, unless</p> <p>17 there's language in the agreement that addresses</p> <p>18 this, they would -- and depending on the deal. You</p> <p>19 know, it might be that their continuous drilling</p> <p>20 holds the entire block until they stop, so by</p> <p>21 breaking it up, you would have different drilling</p> <p>22 obligations. So they would be running concurrently,</p> <p>23 and whenever that stopped, I'm assuming there would</p> <p>24 be Pugh clauses and depth clauses included, which</p> <p>25 many years ago were not, and -- and so large tracts</p>	<p style="text-align: right;">Page 55</p> <p>10:16 1 Depending on the circumstance, you might</p> <p>2 contact them with a release request or you might</p> <p>3 contact them and ask them what's going on with the</p> <p>4 lease. You know, have they shut in the wells, for</p> <p>5 example. And so you just determine the facts and</p> <p>6 then contact them after that to better understand</p> <p>7 what's going on, on their side of it, their</p> <p>8 perspective, and then go from there based on what</p> <p>9 they say and do.</p> <p>10:16 10 Q. And what happens if -- after you contact the</p> <p>11 lessee, if Heritage believes that the lessee is in</p> <p>12 breach and the lessee disagrees and refuses to</p> <p>13 develop as Heritage believes it should?</p> <p>10:16 14 A. Uh-huh. Well, you know, first of all, if</p> <p>15 you're heading towards possible litigation, you --</p> <p>16 you meet as a department and -- and discuss it,</p> <p>17 depending on the account.</p> <p>10:17 18 If it's an agency, you review that with the</p> <p>19 client as to where you stand, what the facts are,</p> <p>20 what you believe your position to be. If it's an</p> <p>21 agent -- agency situation, you get their consent</p> <p>22 to -- to involve an attorney, and the level of that</p> <p>23 involvement, it might just be getting an opinion.</p> <p>24 You certainly don't file a lawsuit without everybody</p> <p>25 being on board. Those -- those are all steps as a --</p>

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<p>1 as an agent.</p> <p>10:17 2 As a trustee, you probably go through the</p> <p>3 same steps, but internally, if there's a co-trustee</p> <p>4 involved, you're keeping them in the loop on -- on</p> <p>5 what you're doing and why. You're keeping the trust</p> <p>6 officer, the relationship manager, involved, and --</p> <p>7 and as far as what's going on and why you're doing</p> <p>8 what you're doing.</p> <p>10:18 9 So you try to go through it in a methodical</p> <p>10 way, rather than just rushing to file a lawsuit. It</p> <p>11 might be that, depending on the circumstances, that</p> <p>12 you get an attorney to write a letter for you, for</p> <p>13 example, place whatever demands that you're -- that</p> <p>14 you're placing and -- and wait for that response.</p> <p>15 Then over time, you eventually reach a point where</p> <p>16 you decide what you're going to do next, whether to</p> <p>17 leave it be or file a lawsuit.</p> <p>10:18 18 Q. And how long would that process take from</p> <p>19 start to finish, where you realize that you have a</p> <p>20 disagreement with the lessee and the lessee isn't</p> <p>21 going to change its position and you're not going to</p> <p>22 change your position?</p> <p>10:19 23 A. Well, that -- that can depend on the facts,</p> <p>24 the circumstances, you know, what -- how many dollars</p> <p>25 are involved, the size. So, I -- I can't say that --</p>	<p>1 disagreement with a lessee?</p> <p>10:20 2 A. Maybe -- I'm trying to think back when I've</p> <p>3 ever had a situation -- had -- had a situation on one</p> <p>4 of my accounts, that we felt that the operator was</p> <p>5 using gas and not paying royalty on it and that it</p> <p>6 was contrary to the terms of the lease. I'm -- I'm</p> <p>7 going to say maybe a year to -- to a year and a half</p> <p>8 from start to finish, that we brought this up and --</p> <p>9 and back and forth letters and demands and finally</p> <p>10 hired a -- an attorney to -- to file suit, and -- and</p> <p>11 then there was settlement. So, maybe a year, year</p> <p>12 and a half. I'm -- I'm not positive on that.</p> <p>10:21 13 Q. And -- and the result was a settlement, you</p> <p>14 said?</p> <p>10:21 15 A. Uh-huh. Yes.</p> <p>10:21 16 Q. And so that was all concluded within the</p> <p>17 year to year-and-a-half time frame?</p> <p>10:21 18 A. Yes.</p> <p>10:21 19 Q. Okay. Now, in that type of situation, is it</p> <p>20 important to -- you know, as a trustee and a mineral</p> <p>21 manager, to -- to -- to move relatively quickly?</p> <p>10:21 22 MR. WILLIAMS: Objection, form.</p> <p>10:21 23 A. I -- I think you -- like I've said, you move</p> <p>24 on it as you learn the facts and contact the company</p> <p>25 and do what you can do.</p>
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<p>1 that it would take one week or one year, because I've</p> <p>2 had both.</p> <p>10:19 3 Q. Have you ever had anything take longer than</p> <p>4 a year?</p> <p>10:19 5 A. Uh-huh, yes.</p> <p>10:19 6 Q. And why was that?</p> <p>10:19 7 A. Well, just -- just the time it takes for</p> <p>8 everything to -- to develop. You send a letter to</p> <p>9 the company, and it might be two or three weeks or a</p> <p>10 month before you get a response. You -- I've got a</p> <p>11 situation where I've tried to involve several</p> <p>12 different law firms, and it takes time for them to</p> <p>13 look at it. And, you know, you're just going through</p> <p>14 the steps and, you know, we're -- while -- while</p> <p>15 we're trying to protect the interests of our clients,</p> <p>16 I'm not necessarily trying to rush into a lawsuit,</p> <p>17 and being patient and maybe things will -- will work</p> <p>18 themselves out, depending on the facts, and so you</p> <p>19 try to allow for some of that. So it just -- and --</p> <p>20 and -- it just takes time.</p> <p>10:20 21 Q. It's a little fact-dependent?</p> <p>10:20 22 A. Yeah. I mean, I don't know how long --</p> <p>23 Yeah, definitely.</p> <p>10:20 24 Q. Okay. What's the longest it's ever taken</p> <p>25 you from start to finish when you had this type of a</p>	<p>10:22 1 Q. But you wouldn't -- you wouldn't just let</p> <p>2 things sit without continuing to push the ball</p> <p>3 forward, right?</p> <p>10:22 4 A. Well, when you -- What do you mean by let</p> <p>5 things sit? How long is letting things sit?</p> <p>10:22 6 Q. Years.</p> <p>10:22 7 A. Probably not.</p> <p>10:22 8 MS. ROBERTS: Would now be a good time?</p> <p>10:22 9 MR. CHRISTIAN: Yes.</p> <p>10:22 10 MS. ROBERTS: Going off the record, 10:22.</p> <p>11 This is the end of Tape 1.</p> <p>10:22 12 (Whereupon, a short recess was held.)</p> <p>10:23 13 MS. ROBERTS: Back on the record, 10:24.</p> <p>14 This is the beginning of Tape 2.</p> <p>10:24 15 BY MR. CHRISTIAN:</p> <p>10:24 16 Q. Mr. Herford, during your tenure at JPMorgan,</p> <p>17 do you happen to recall whether you had any</p> <p>18 discussions with anybody at JPMorgan regarding</p> <p>19 obtaining a lease of certain acreage held by Pioneer?</p> <p>10:24 20 A. What area?</p> <p>10:25 21 Q. What area of the STS branch?</p> <p>10:25 22 A. Well, I -- I guess to answer to that is, I</p> <p>23 don't recall.</p> <p>10:25 24 Q. Do you recall whether JPMorgan had a</p> <p>25 standard form oil and gas lease in 2008?</p>

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10:25	1	A. I believe so, yes.	10:28	1	A. Not that I recall.
10:25	2	Q. Do you happen to recall what the percentage	10:28	2	Q. Was there any reason why you -- why you
	3	of royalty was in that standard lease form?		3	didn't?
10:25	4	A. A royalty is a -- a negotiated part of an	10:28	4	A. I don't think we subscribed to it.
	5	agreement, that the standard lease form had -- has a	10:28	5	Q. Do you know how much the subscription was?
	6	place where you add that, insert it. So, depending	10:28	6	A. No.
	7	on the area that's being negotiated, it can range	10:28	7	Q. Was it expensive, do you recall?
	8	anywhere from three-sixteenths to a fifth, all the	10:28	8	A. I don't -- don't know.
	9	way up to a quarter, or even higher, depending on the	10:28	9	Q. Did you engage in any sort -- or I should
	10	area. But it's not like a standard part of the -- of		10	even -- I should go back to 2008. Back in 2008, did
	11	the lease form.		11	you and the other mineral folks at JPMorgan engage in
10:26	12	Q. Do you happen to recall what the typical		12	any kind of ongoing education to acquaint themselves
	13	royalty rate was in South Texas in 2008?		13	with what was happening in the oil and gas industry?
10:26	14	A. No.	10:29	14	A. I think that that -- that was usually done
10:26	15	Q. If I represented that in the six Petrohawk		15	in the group calls, where the local area managers
	16	leases that the royalty was 25 percent, would you		16	would talk about what was going on in their
	17	have an opinion as to whether that was either good or		17	respective areas. And beyond that, I -- I don't
	18	bad in South Texas in 2008?		18	recall how that was handled on a national scope.
10:26	19	A. I -- I would say that any time you get a	10:29	19	Q. And what do you do today at Heritage Trust
	20	quarter royalty, that is good.		20	to keep yourself acquainted with what's happening in
10:26	21	Q. Do you think that that was above market, at		21	the oil and gas community?
	22	market, or below market?	10:29	22	A. There's a -- there's online information
10:26	23	A. I don't have a feel for that.		23	that's readily available. I get a -- a regular email
10:26	24	Q. Do you remember, while you were at JPMorgan,		24	that's from Rigzone that's talks about what's going
	25	what properties were typically getting in terms of		25	on, and there's still Landman Magazine, and there's
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	1	royalty percentage in South Texas during that time		1	a -- a shorter version of that, that talks about
	2	period?		2	what's going on in different areas. So I read those,
10:27	3	A. No. I -- I don't recall a whole lot of		3	and then in our group, any time someone reads
	4	leasing in South Texas at that time.		4	something, they will forward it to the others in the
10:27	5	Q. Would you consider it, as part of your job,		5	group as a FYI.
	6	to be familiar with what's going on in the oil and	10:30	6	Q. And was that done at JPMorgan as well,
	7	gas community?		7	forwarding of articles and such?
10:27	8	A. Somewhat.	10:30	8	A. I -- I don't recall. I -- I don't think
10:27	9	Q. Do you typically read the trade papers and		9	that the -- the sharing, the online access, that sort
	10	see what types of different developments are		10	of thing, was -- was what it is now, so it was not as
	11	happening and do things like that?		11	easy.
10:27	12	A. At that time, which was quite a bit	10:30	12	Q. Do you currently subscribe to Oil and Gas
	13	different than now as far as what's available, the --		13	Investor magazine?
	14	the main journals, if you will, would be the Landman	10:30	14	A. No.
	15	Magazine, and it was -- it would discuss in a -- in a	10:30	15	Q. Can you tell me when you first became aware
	16	general way what was going on in different areas, so		16	of the trends in these new horizontal shale plays?
	17	try to keep up with that.	10:30	17	A. The first trend that -- that I was aware
10:28	18	Q. Did you have any other sources for		18	would have probably been the Barnett Shale that was
	19	understanding what was happening in the oil and gas		19	happening in two thousand and -- the early 2000s is
	20	community?		20	about when I first became familiar with it or aware
10:28	21	A. Just local newspapers.		21	of it.
10:28	22	Q. Local newspapers?	10:31	22	Q. And what other shale plays were you aware of
10:28	23	A. Uh-huh.		23	after Barnett?
10:28	24	Q. Did you ever read Oil and Gas Investor	10:31	24	A. Probably the next one would have been the --
	25	magazine?		25	Fayetteville and then the Haynesville.

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10:31	1 Q. Did -- do you recall whether you heard about	10:34	1 A. Uh-huh.
	2 the Haynesville Shale play in about March of 2008?	10:34	2 Q. -- during that time?
10:31	3 A. I -- I don't know -- I don't recall when I	10:34	3 A. I think so.
	4 heard about it.	10:34	4 Q. Okay. And I think, as you said earlier,
10:31	5 Q. Did you ever know that JPMorgan had done	5	typically everyone from JPMorgan's mineral management
	6 research on the Haynesville Shale play and published	6	group would have been on those calls?
	7 public reports?	10:34	7 A. Uh-huh.
10:31	8 A. No.	10:34	8 Q. And so they would have all heard basically
10:31	9 Q. Did you, when you were at JPMorgan, use	9	what was going on out in -- in Haynesville at that
	10 JPMorgan public reports to keep apprised of oil and	10	time?
	11 gas issues?	10:34	11 A. Yeah, uh-huh.
10:32	12 A. No.	10:34	12 Q. And if -- if I told you that in -- in March
10:32	13 Q. To your knowledge, did anyone at JPMorgan do	13	of 2008 that bonus figures in Haynesville were around
	14 that?	14	\$10,000, that wouldn't sound unreasonable to you,
10:32	15 MR. WILLIAMS: Objection, form.	15	would it?
10:32	16 A. No. They might have; not to my knowledge,	10:34	16 A. I -- I knew it was large.
	17 no.	10:34	17 Q. And if I told you that JPMorgan had
10:32	18 Q. Can you tell me why you didn't look at that	18	published a public report that had per-acre bonus
	19 information?	19	payments in Haynesville at around 27,000 per acre by
10:32	20 A. I'm not sure I was aware of it.	20	July of 2008, would that surprise you?
10:32	21 Q. Do you remember hearing what the per-acre	10:35	21 A. Possibly, yeah.
	22 bonuses were in Haynesville around March of '08?	10:35	22 Q. That might surprise you?
10:32	23 A. No.	10:35	23 A. I'll tell you the truth, anything 27,000 an
10:32	24 Q. Do you remember ever hearing any per-acre	24	acre surprises me. But that's -- that's possible.
	25 bonus information relating to Haynesville?	25	There was a -- a large lease negotiated in the
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10:32	1 A. Yes. I don't know when it was, though.		1 Haynesville.
	2 That was the -- March of '08, I don't know when I	10:35	2 Q. But 10,000 an acre is a little less
	3 heard. There was a lease negotiated in the	3	surprising. Is that fair?
	4 Haynesville by our Shreveport office involving one of	10:35	4 A. I think anything over -- Depends on the
	5 our clients, and I don't know the timing of that, but	5	circumstances. It just depends on the area. And,
	6 it was a fairly large lease negotiated with	6	you know, we start talking a thousand an acre in
	7 Chesapeake.	7	areas would surprise me, so it just depends. But,
10:33	8 Q. And do you recall what the per-acre bonus	8	yeah, 10,000 an acre is a large amount.
	9 was on that lease?	10:35	9 Q. Do you ever recall seeing an article in July
10:33	10 A. You know, I -- I'm going to say right now,	10	of 2008 discussing the potential for \$50,000 an acre
	11 this -- this is going into client information that	11	in the Haynesville?
	12 I'm not sure I should share that. That it was very	10:36	12 A. No.
	13 large. I'll put it that way.	10:36	13 Q. Would it be fair to say that in 2008, having
10:33	14 Q. You know, we do have a protective order in	14	some experience with watching prior shale plays, that
	15 the case, and so we can designate this as --	15	you knew the bonus prices could escalate
10:33	16 A. Yeah.	16	significantly in a shale play?
10:33	17 Q. -- confidential.	10:36	17 A. When, again?
10:33	18 A. Yeah. I'm not comfortable sharing that, so	10:36	18 Q. In 2008, in early 2008.
	19 I think you can get that figure from -- from	10:36	19 A. The -- the experience I had with -- with
	20 JPMorgan.	20	shale plays was primarily the Barnett Shale, and
10:33	21 Q. Fair enough.	21	those -- those prices were -- were actually fairly
10:33	22 A. Okay.	22	low to start with and -- and slowly, gradually
10:33	23 Q. Do -- do you recall whether the -- the	23	increased, and that was oftentimes tied to the actual
	24 Shreveport office was on one of these monthly calls	24	drilling that was going on and success of that
	25 and discussed the terms of the lease --	25	drilling. The prices didn't escalate just off of

<p style="text-align: right;">Page 68</p> <p>1 competition itself for leases; it was more about the 2 success of the wells, and that drove the prices. So 3 my -- my feeling is whether it's Barnett or any shale 4 play, that's -- that's how it's going to go. 10:37 5 Q. And how long did it take for the Barnett 6 Shale play to mature to the point where lease prices 7 had increased fairly dramatically? 10:37 8 A. I'm going to say eight, ten years. 10:37 9 Q. And how long did it take in Haynesville for 10 lease prices to escalate fairly dramatically? 10:37 11 A. I -- I don't know. 10:37 12 Q. You didn't keep apprised of that one? 10:37 13 A. You asked how long. I don't know how long. 14 I -- I really don't. 10:37 15 Q. Do you recall when you first heard about the 16 Haynesville Shale play? 10:37 17 A. No. 10:37 18 Q. Do you have a ballpark? 10:37 19 A. I would say in the 2006-7 time frame, -5, 20 somewhere in there. 10:38 21 Q. Well, by 2008, you -- you would have 22 recognized that bonus prices could escalate 23 significantly in a successful shale play, correct? 10:38 24 A. Yes. I was also aware that they could also 25 collapse overnight, which we had seen in the Barnett</p>	<p style="text-align: right;">Page 70</p> <p>1 wells and the prices of oil and gas. That figures 2 into it. You know, companies will have budgets that 3 based on, you know, high oil and gas prices, and when 4 those prices collapse from, you know, oil being in 5 the 80 to \$150 range to 50 or 60, budgets go away. 6 Same with gas. Gas in the 8, \$10 or more range and 7 they go down to a dollar-fifty or two dollars. 8 Companies pull out of drilling in those areas, and so 9 that all drives the budgets to buy leases, and so it 10 can happen overnight. 10:41 11 Q. And -- and so, is it often the case that you 12 have something of a bell curve in a shale play? 10:41 13 MR. WILLIAMS: Objection, form. 10:41 14 A. I don't know what -- what -- What do you 15 mean by a bell curve? 10:41 16 Q. Well, where -- 10:41 17 A. I know what a bell curve is. What do you 18 mean, though? 10:41 19 Q. Is it often the case that in a shale play, 20 that prices start out relatively low, go up, you 21 know, over a period of time, peak at some point, and 22 then at some point start to tail off or drop? 10:41 23 A. I -- I think it's all a function of -- of 24 technology, of gas prices, oil prices, and all -- all 25 of those as companies look for new places to find</p>
<p style="text-align: right;">Page 69</p> <p>1 Shale. 10:38 2 Q. And when you say collapse, then what kind of 3 per-acre bonus would they go down to in a collapse? 4 Let's say if they were up in 10,000 in Haynesville, 5 what would happen in a collapse? 10:39 6 A. Ten percent of what it was before. 10:39 7 Q. Ten percent? 10:39 8 A. All -- all the way down to total withdrawal 9 of the offer, which is, you got a big offer in hand 10 and you have nothing the next day, that -- to that 11 magnitude. 10:39 12 Q. And -- and where did you see that happen? 10:39 13 A. In the Barnett. 10:39 14 Q. Now, what about in Haynesville? 10:39 15 A. I -- I don't recall that -- that we had that 16 much acreage in the -- in the Haynesville where it 17 was something I was seeing on a -- on a regular 18 basis. I -- I do think the Haynesville slowed 19 dramatically, as did the Fayetteville. There's 20 certain sweet spots, if you will, that are still 21 desired, but there's many places that went from being 22 desired to no longer of interest. So it -- it just 23 depends on the play and how it plays out and the 24 wells. 10:40 25 It's always driven by the success of the</p>	<p style="text-align: right;">Page 71</p> <p>1 major reserves, and then the competition for that. 2 But a lot of that, you know, the technology kicks in, 3 the horizontal drilling and the fracing continues to 4 evolve, and then the success of that then spurs 5 follow-up competition. At the same time, if -- if 6 it's not successful, people move on and there is no 7 more interest in it. 10:42 8 So, if you went back and tracked the 9 different shale plays, perhaps you would -- you would 10 see that. I -- I would suspect with -- for not just 11 shale plays but any oil and gas play, that as there's 12 success and big wells are drilled, then people flock 13 to those areas to try to buy leases and be -- be a 14 part of drilling more big wells. And the -- the 15 value of the leases is really a function of the 16 success of the wells that are drilled. 10:42 17 Q. Right. So, if you have a successful well, 18 that is at least a harbinger of the potential value 19 going up. Is that fair? 10:42 20 A. Possible. 10:42 21 Q. Well, speaking of successful wells, did -- 22 did you hear about the Eagle Ford discovery well when 23 it was announced in October of 2008? 10:43 24 A. I don't recall. 10:43 25 Q. You don't remember whether you heard about</p>

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	1 it or whether you heard about it in October?		1 and assigned out those accounts to each of the
10:43	2 A. Either. I don't recall hearing about the		2 property managers that took those, and I went over
	3 discovery well for the Eagle Ford.		3 them with them at that time.
10:43	4 Q. You -- you were in Hot Springs at the time,	10:46	4 Q. Okay. Do you remember when it was that you
	5 right?		5 assigned out your accounts to the property managers?
10:43	6 A. Yes.	10:46	6 A. I don't remember exactly. It was a few
10:43	7 Q. Is that maybe why you didn't hear or		7 months after getting to Arkansas.
	8 don't --	10:46	8 Q. Okay. Do you remember how many accounts you
10:43	9 A. Probably.		9 had that you had to assign out?
10:43	10 Q. -- recall hearing?	10:46	10 A. I'd say 60.
10:43	11 A. Uh-huh.	10:46	11 Q. Okay. And the STS was not one of those
10:43	12 Q. I guess, at that time, you weren't involved		12 accounts?
	13 in -- in mineral management. Is that -- is that	10:46	13 A. It was not.
	14 fair?	10:46	14 Q. Okay. During your tenure at JPMorgan, did
10:43	15 A. That's fair. I would -- would say probably		15 you ever discuss with anyone the fact that STS was a
	16 not.		16 liquidating trust?
10:43	17 Q. All right. Do you recall that when you left	10:47	17 A. I don't know that I discussed it. I think I
	18 your national mineral management position in 2007,		18 may have heard that.
	19 whether you did a review of the asset accounts with	10:47	19 Q. You -- You've got a substantial amount of
	20 your successor?		20 trust experience, correct?
10:44	21 A. Ask that again.	10:47	21 A. I'd say so.
10:44	22 Q. Well, do you recall that when you left the	10:47	22 Q. How many years of -- of trust experience do
	23 national mineral manager position at JPMorgan in		23 you have, sir?
	24 2007, whether you did some sort of an asset account	10:47	24 A. Well, trust oil and gas experience, 20.
	25 or review with the person who was taking your place	10:47	25 Q. Twenty years. Can you tell me what a
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	1 at JPMorgan?		1 liquidating trust is?
10:44	2 A. When I left in 2007, I still had the	10:47	2 A. You know, I don't know that I've ever had a
	3 accounts that I had been assigned, so there -- there		3 liquidating trust, so I don't -- I don't think I'm
	4 wasn't any review done with my successor on those		4 going to hazard a guess.
	5 accounts at that time.	10:47	5 Q. And you may not know the answer to this
10:45	6 Q. Okay. I thought -- And maybe I'm wrong		6 question; I just want to ask and see if you do. As
	7 about this. I apologize. I thought that when you		7 somebody with 20 years of trust experience, do you
	8 left in 2007, that you transitioned into a part-		8 believe that the STS asset status as a liquidating
	9 time -- a full -- well, a permanent part-time		9 trust should have had any impact on the decision to
	10 position where you did, I think, three or four		10 enter into the Petrohawk leases?
	11 special projects.	10:48	11 A. I don't know that I'm qualified, really, to
10:45	12 A. That -- that's correct. But at the same		12 answer that. Because I -- like I said, I'm -- have
	13 time, initially, the initial work still had those		13 never had a liquidating trust. I don't know the
	14 accounts assigned to me. So, after moving there, and		14 particulars of that or how that would affect that
	15 I was expecting that there -- there would be an		15 decision, so I -- I don't think I can answer that.
	16 interest in -- in me assigning those, but the	10:48	16 Q. So we -- maybe we'll just agree not to ask
	17 existing staff was already full, if you will. I		17 you about liquidating trusts, because that's not --
	18 wasn't sure what to do with that. I discussed that		18 although you've got trust expertise, that's not one
	19 with Kevin at one point saying, "Do you want me to		19 of your areas of expertise.
	20 handle the management reporting or do you want me to	10:48	20 A. That's right.
	21 handle these accounts? Which one? And the -- and	10:48	21 Q. Okay, fair enough. Did you ever hear anyone
	22 the special projects, because I can't do them all,		22 at JPMorgan, or anyone else, ever say that there was
	23 couldn't handle them all on the -- on my full-time		23 any kind of a different standard for evaluating and
	24 role, and I can't reduce my hours and handle all that		24 accepting lease offers as between liquidating and
	25 as well." So, it was at that time that I went ahead		25 non-liquidating trusts?

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10:49	1	A. No.	10:51	1	A. No.
10:49	2	Q. Now, Bert Hayes-Davis replaced you as	10:51	2	Q. And how many accounts do the other mineral
	3	national mineral manager at JPMorgan. Is that right?		3	managers at Heritage typically handle?
10:49	4	A. Yes.	10:51	4	A. About that same number.
10:49	5	Q. Did you know Bert Hayes-Davis before that?	10:51	5	Q. Forty to fifty?
10:49	6	A. No.	10:51	6	A. Uh-huh.
10:49	7	Q. Did you have any input on hiring Bert Hayes-	10:51	7	Q. Does Heritage have any policy for
	8	Davis?		8	determining how many accounts mineral managers should
10:49	9	A. No.		9	be responsible for?
10:49	10	Q. Do you have any knowledge regarding his	10:52	10	A. No.
	11	experience with mineral management?	10:52	11	Q. How -- how does that get decided, that you
10:49	12	A. I worked with Bert after he was hired, and		12	guys wind up with 40 or 50 accounts?
	13	my understanding was he was a geologist for Hunt Oil	10:52	13	A. It's just -- You know, I -- I -- I can't
	14	at one time, before working in another area, was not		14	answer that. I think it's just splitting them up.
	15	directly a mineral manager that -- that I'm aware.		15	We're -- at one time, Heritage had one property
	16	He may have been. I'm just not aware.		16	manager, then they were -- they were growing, so they
10:50	17	Q. At -- At Heritage Trust today, can you tell		17	added another and -- and then brought me in. The
	18	me how many mineral accounts you currently manage?		18	accounts were pretty much divided evenly between two
10:50	19	A. At Heritage Trust?		19	of us, with the head of the department kind of
10:50	20	Q. Yeah, as we sit here today.		20	overseeing the overall department. And so that --
10:50	21	A. Forty, fifty.		21	that's pretty much how it was done. It's just adding
10:50	22	Q. Do you know how many total mineral acres you		22	up. I have more experience with working interests
	23	manage?		23	than the other property managers, so those --
10:50	24	A. No.		24	although he -- he did get some accounts that have
10:50	25	Q. Can you guess?		25	working interests, most of those were -- were given
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10:50	1	A. Can't. But, you know, the -- the thing is,		1	to me, with my experience in -- on that side of it.
	2	is that a lot of the properties range anywhere from a	10:53	2	Q. Would you say that the 40 to 50 accounts
	3	half-acre, to one acre, to two acres, to larger		3	that you currently have is enough to keep you pretty
	4	acreages, so --		4	busy?
10:50	5	Q. And they're also --	10:53	5	A. Yes.
10:50	6	A. -- I don't know --	10:53	6	Q. You -- you wouldn't feel comfortable
10:50	7	Q. -- divided interests --		7	doubling that, would you?
10:50	8	A. I don't know what they add up to.	10:53	8	A. Probably not.
10:50	9	Q. Yeah. There are divided interests, which	10:53	9	Q. While you were at JPMorgan between 2005 and
	10	make the calculation sometimes hard, too. Is that		10	2007, how many accounts were you responsible for?
	11	fair?	10:53	11	A. I'm going to say I probably had around 60.
10:51	12	A. Well, it's just being able to -- to list		12	Because that was the time in Fort Worth. You know,
	13	them all out --		13	that'd be the -- the amount that I had.
10:51	14	Q. Yeah.	10:54	14	Q. Okay. And do you know how many accounts the
10:51	15	A. -- and track them and add them, so I -- I		15	mineral managers under your supervision typically
	16	don't know.		16	handled?
10:51	17	Q. I totally understand. Can you tell me what	10:54	17	A. It varied. And I -- I think the thing you
	18	the largest contiguous asset is that you manage in		18	need to understand or appreciate is that it's not the
	19	terms of acres?		19	number of accounts; it's the number of properties in
10:51	20	A. Three thousand.		20	an account. And the distinction there is, you could
10:51	21	Q. Do you have any other assets that are close		21	have an account with one property and another account
	22	to that size?		22	with 500 properties, and so the fact that you assign
10:51	23	A. I don't think so.		23	each an account doesn't mean that you're assigning
10:51	24	Q. You don't have any single assets that		24	equal work load. So the real -- real key there is
	25	produce over a million dollars a month, do you?		25	the -- the number of properties, as much as anything.

<p style="text-align: right;">Page 80</p> <p>10:54 1 Q. Okay. Well, let me back up then and sort of 2 reask that, now that -- now that I'm a little more 3 educated. As we sit here today, at Heritage Trust, 4 how many properties do you currently manage? 10:55 5 A. I'm -- I'm going to guess two to three 6 thousand. 10:55 7 Q. And how -- how many do your fellow mineral 8 managers at Heritage typically handle? 10:55 9 A. It would be a similar amount. 10:55 10 Q. And -- and again, you -- you don't know the 11 amount of mineral acres that you -- 10:56 12 A. No. 10:56 13 Q. -- handle? 10:56 14 So, when you were at JPMorgan, how many 15 properties were under your supervision? 10:56 16 A. How many properties were in the oil and gas 17 group? 10:56 18 Q. Well, I should say first, How many did -- 19 were you responsible for directly? 10:56 20 A. I -- I don't recall. 10:56 21 Q. Do you have a ballpark estimate? Do you 22 know if -- 10:56 23 A. I really don't. 10:56 24 Q. -- it was more than 3,000? 10:56 25 A. Probably not. Now, that -- that's -- I had</p>	<p style="text-align: right;">Page 82</p> <p>1 there are states that aren't very active, and so the 2 fact that you have a large number of assets in that 3 area doesn't necessarily equate to more work. Then 4 there are some areas that, you know, have, you know, 5 intense amount of work that -- that -- so it just 6 depends on where they're located. In general, that 7 would seem like a high number to me. 10:58 8 Q. Now, how about if you got about another four 9 or five thousand properties in Texas to manage? 10 Would that be an awful lot of work? 10:59 11 A. It would depend on where they're located, 12 but probably. It would also depend on whether 13 they're open or already leased, whether they're 14 already producing or not. You know, a lot of factors 15 add in to whether that equates to more work or not. 10:59 16 Q. Do you recall whether, in your view in 2008, 17 that Ms. Ormond had a pretty heavy workload? 10:59 18 A. I -- I think all of the property managers at 19 JPMorgan had a pretty heavy workload that they would 20 have. 10:59 21 Q. Do you think that they could have used more 22 property managers? 10:59 23 A. I believe so. Or more support for those 24 same property managers. 11:00 25 Q. Can you -- can you tell me, when you were at</p>
<p style="text-align: right;">Page 81</p> <p>1 more than that when I was working in Oklahoma City, 2 but I don't recall the -- the number whenever I moved 3 to Fort Worth. 10:56 4 Q. Do you recall the typical number of 5 properties that your mineral managers were 6 responsible for during your time at JPMorgan? 10:57 7 A. It seems that there were roughly 20 property 8 managers and about 150,000 properties by -- by count 9 on the system, and there was a lot of discussion 10 and -- and debate on whether there was double 11 counting going on. But using -- using that, on 12 average, I would say between six to seven or eight 13 thousand. 10:57 14 Q. And you're currently managing about how many 15 properties here at Heritage? 10:57 16 A. I don't know. I -- I didn't -- didn't run 17 that report, so I -- I don't know what it is. 10:58 18 Q. Fair enough. But you -- but you thought it 19 was around 3,000? Is that -- is that fair? 10:58 20 A. I would say somewhere between two and three 21 thousand, probably. 10:58 22 Q. Two or three thousand. Would you feel 23 comfortable if -- if that were six or eight thousand? 10:58 24 A. It depends. It -- it depends on where 25 they're located, you know. There -- there are --</p>	<p style="text-align: right;">Page 83</p> <p>1 JPMorgan, were you paid in salary and bonus? 11:00 2 A. Yes. 11:00 3 Q. Was your bonus impacted by the income 4 generated in your department? 11:00 5 A. I think it was impacted first by the bank's 6 performance. And so, if the bank had not done well, 7 then even if our department had, it -- it would 8 probably not equate to a -- I never recall not 9 getting a bonus, but it might have been a much lesser 10 one. Certainly the performance of the department 11 factored into it, how well we did, and not just the 12 financial performance but the overall performance, as 13 far as how we dealt with clients and customers on -- 14 on their issues, where we added value, that sort of 15 thing. 11:01 16 Q. Would -- would it have been unusual in 2008 17 to have a single mineral manager bring in, in excess 18 of a million dollars in one year on one account? 11:01 19 A. Would it have been unusual? I think there 20 were some accounts that generated that kind of income 21 on an annual basis, but not very many. 11:01 22 Q. Would that have been helpful to bonus 23 consideration if somebody was able to do that? 11:01 24 A. If you're talking about a -- a -- like a 25 lease bonus?</p>

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11:01	1 Q. Correct.	1	property manager investigates market conditions and
11:01	2 A. Probably. I -- I don't recall ever, in my	2	generally what's happening in the area. Is -- is
	3 time, a specific -- I don't think your specific deal,	3	that right?
	4 that that was the -- the driving factor on -- on	11:05	4 A. Try to find out as much as we can about
	5 what bonus was -- was -- was given.	5	what's going on.
11:02	6 Q. But it would have been considered as part of	11:05	6 Q. Okay. And then does that property manager
	7 the bonus --	7	then make a recommendation to either -- with -- with
11:02	8 A. I think so. But the thing is that there	8	specific lease terms in it that goes up for sign-off
	9 were property managers that worked in areas that	9	to these other two folks that we discussed?
	10 didn't have the opportunity because of the acreage	11:05	10 A. The property manager is one of those two --
	11 size for that kind of a deal but they still worked	11:05	11 Q. Okay.
	12 equally hard, and that was considered as well.	11:05	12 A. -- and then the head of the department is
11:02	13 Q. Right. At Heritage, can you explain how	13	the other.
	14 the -- We -- we talked about this a little bit	11:05	14 Q. And when you say the head of the department,
	15 earlier, but I just kind of want to go back to it.	15	what's the formal title of the head of the
	16 Can you explain how the mineral lease process has	16	department?
	17 worked at Heritage since you started working here two	11:05	17 A. I'm going to say senior vice president.
	18 years ago?	11:06	18 I don't know that -- He is the head of the
11:03	19 A. The lease is negotiated. The --	19	department. I don't know if that's how it's styled.
11:03	20 Q. And who negotiates the lease?	20	Heritage doesn't put a lot of weight in titles.
11:03	21 A. The property manager for that account. In	11:06	21 Q. Okay. Is there any kind of committee
	22 that negotiation, we try to identify if it's -- we	22	review, or is it just a sign-off between the property
	23 have a spreadsheet that we maintain of -- of all	23	manager and the head of the department?
	24 offers and -- and deals that have been made so we can	11:06	24 A. That's -- those two.
	25 look at that to see what's -- what's been offered,	11:06	25 Q. Okay. And does the size of the lease -- If
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	1 what's been settled.	1	it's a really big lease, does that require any
11:03	2 In Oklahoma, you can actually go to the	2	different type of a procedure?
	3 Corporation Commission records and -- and see what	11:06	3 A. No.
	4 has been paid in the way of force poolings, and	11:06	4 Q. Who -- who draws up Heritage's leases?
	5 depending on proximity to your acreage, that -- that	11:06	5 A. Well, there's a standard lease form that's
	6 factors in.	6	been -- was in place when I got there, and we
11:04	7 And all those things are considered, and	7	continually look to revise it as needed. But the
	8 that information is -- is -- is factored in to	8	actual lease form is -- is already an approved form,
	9 whenever you negotiate. And we have our own lease	9	that we add the name of the lessee and -- and other
	10 form, and the basic terms then, if they're within	10	information in it, royalty rate, description of the
	11 line with what's being done, then -- then we'll go	11	property, that sort of thing, the name of the account
	12 ahead and proceed. The lease is -- is signed, and	12	that the lessee -- I mean the lessor name, and we --
	13 there's a two-party approval process, with a lease	13	we do all that ourselves.
	14 approval form that's signed off on, and -- and then	11:07	14 Q. Do you have oil and gas lawyers look at
	15 it's sent to the lessee upon receipt of the -- of the	15	modifications to Heritage's standard lease form?
	16 bonus.	11:07	16 A. Not -- not like that. We -- we've had
11:04	17 Q. So the property manager does some	17	instances where we wanted to better understand the
	18 investigation and then negotiates with the lessee.	18	ramifications of changing or deleting a certain
	19 Is -- is that right? As the initial part of --	19	provision, so we've had conference calls with
11:04	20 A. Right.	20	attorneys about the impact of that and whether it's
11:04	21 Q. -- the process?	21	something we should do or not do, and so we're trying
11:05	22 A. And -- and the lessee may be a broker	22	to better understand, and -- and so that's usually a
	23 that -- that the lessee has hired to negotiate on	23	group thing, so we're all hearing the same thing and
	24 their behalf.	24	the attorney's opinion on that. But as far as
11:05	25 Q. Okay. And in the course of this, the	25	sending a specific provision to an attorney, no.

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11:08	1 Q. What types of things specifically do get	11:11	1 A. Yes. Now, there may -- there may be
	2 sent to the attorneys?		2 instances where he's not available, and so it's --
11:08	3 A. Well, we don't -- we don't send things to an		3 there's two of us. But again, we're a small
	4 attorney. It's -- The instances that I've been		4 department, our offices are right next to each other,
	5 involved were more ones that -- An example would be		5 and so that's -- that's normally the one -- he's the
	6 in the lease itself, there's provision for liens,		6 one to -- to go to with that.
	7 and -- and whether that was something that we should	11:12	7 Q. Okay.
	8 draw the line on if the company wanted to eliminate	11:12	8 A. But I'm not aware that it has to be that
	9 that, to delete it, what would be the impact, and so		9 way, that he's the only other one that can sign off,
	10 we had a conference call on that. We've had		10 because I think that there's been instances where I
	11 attorneys come in and just talk to us in general		11 have signed off, in addition to the other property
	12 about operating agreements.		12 managers, so that's not an absolute at Heritage.
11:08	13 But as far as a specific provision, I -- I	11:12	13 Q. But on a major lease -- Let's say you were
	14 would say there has been research and -- and such on		14 doing a 10,000-acre lease. You would want to have
	15 post-production expenses, and -- so we -- we -- we		15 your head of your department sign off. Is that fair?
	16 draw the line on that. So I don't know if that	11:12	16 A. Probably, yes.
	17 answers your question, but that's -- that's it.	11:12	17 Q. And if you were doing a lease, let's say
11:09	18 Q. I'm going to go ahead and hand you what has		18 10,000 acres, there would be no committee review at
	19 previously been marked as Exhibit 611. Take a quick		19 Heritage?
	20 look at that, if you will.	11:12	20 A. Our department is small enough that there
11:09	21 A. (Witness complies.) Okay.		21 would be a lot of review and discussion on -- on a
11:09	22 Q. You're familiar with JPMorgan's oil gas and		22 lease like that. We -- we have no assets that size.
	23 mineral policy manual, correct?		23 And the -- the one asset that we have that -- that
11:09	24 A. Yes.		24 I'm aware of -- if there's others, I'm not aware --
11:09	25 Q. And this was the lease review policy in		25 there's 3,000 acres, there's been a lot of discussion
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	1 place when you -- when you were national mineral		1 of probably that.
	2 manager between 2005 and 2007 at JPMorgan. Is that	11:13	2 Q. Can you tell me what the process was for the
	3 right?		3 3,000-acre asset to get approval?
11:10	4 A. I'm going to say yes.	11:13	4 A. The discussion's been more about -- It's
11:10	5 Q. I think it even says it was revised on		5 already leased. It's been more about other areas of
11:10	6 June 30 of '07 --		6 that, whether there's parts of it that have been
11:10	7 A. Right.		7 assigned and conveyed and the interpretation of the
11:10	8 Q. -- so that would have been, like, when this		8 agreements affecting that and, you know, kind of get
	9 policy, at least we know for sure, was -- was in		9 input from -- from everybody on that. We have two
	10 effect. Can you explain to me how this sign-off		10 young attorneys working there that passed the -- the
	11 policy worked?		11 board, so, you know, their input's appreciated. But
11:10	12 A. The lease would be negotiated. There would		12 we all read it because there's a lot involved, and we
	13 be a lease acceptance form, with information about		13 would want to try to have some consensus on it.
	14 the account and the asset and the trade put on that,	11:13	14 So, it's not -- it's not unleased, it's not open, but
	15 and that would be taken to a second mineral manager		15 it's involving whether we think it -- it -- part of
	16 or senior mineral manager, depending on the		16 it is or not. So -- I -- I don't know, that's --
	17 circumstance, and that second approval obtained.		17 that's how --
11:10	18 Q. So, if a lease were to be negotiated by	11:14	18 It's not a situation where we're negotiating
	19 Ms. Ormond, would she then need one other senior		19 a lease; but if we were, I would probably still have
	20 mineral manager to sign off on that lease?		20 discussion. We have regular meetings where we talk
11:11	21 A. No. She was -- was a senior mineral		21 about what we're doing, similar to the national call,
	22 manager, so she'd need another mineral manager.		22 and talk about what's going on in -- in different
11:11	23 Q. And at Heritage, what happens is a mineral		23 areas, ranging from Oklahoma to Texas, to
	24 manager takes a lease to the head of the department		24 Pennsylvania, to other -- other states, so --
	25 and gets sign-off there. Is that right?	11:14	25 Q. So --

<p style="text-align: right;">Page 92</p> <p>11:14 1 A. -- that's how that goes.</p> <p>11:14 2 Q. Okay, great. So, I guess with a large</p> <p>3 3,000-acre asset, there'd be a fair amount of</p> <p>4 scrutiny paid to any leasing process that were to</p> <p>5 take place at Heritage?</p> <p>11:14 6 A. Yeah, I -- And I think that's a -- Again,</p> <p>7 we're small, and so we would -- we would be</p> <p>8 discussing it, plus that's an agency situation, so</p> <p>9 there's also communication going on with -- with</p> <p>10 those clients that's -- that's involved. And -- and</p> <p>11 if it was a situation where it was an open tract,</p> <p>12 I -- I don't know that we would be seeking their</p> <p>13 approval, if -- it was a -- if we were the agent, but</p> <p>14 certainly internally we'd be discussing the deal.</p> <p>11:15 15 Q. And when you say an agency situation, can</p> <p>16 you clarify for a rookie what that means?</p> <p>11:15 17 A. If you're a trustee, your -- you -- you have</p> <p>18 the responsibility to -- to manage the assets fully,</p> <p>19 without input; whereas, as agent, you're acting as</p> <p>20 their agent, and depending on the permissions and</p> <p>21 authority granted in the agency agreement, you have</p> <p>22 to comply with that.</p> <p>11:16 23 I think I find that in many situations, your</p> <p>24 clients -- you're the agent, but they like to know</p> <p>25 what's going on, you know, and -- and so we -- we</p>	<p style="text-align: right;">Page 94</p> <p>1 be something potentially of value on the land. Is</p> <p>2 that fair to say?</p> <p>11:17 3 A. Well, it just puts you on alert that</p> <p>4 someone's interested in the area and they're willing</p> <p>5 to -- to lease the land, and it would be good for</p> <p>6 your client to see that happen. Whether -- whether</p> <p>7 there's any drilling or oil and gas found, that --</p> <p>8 that's yet to be determined, but at least there's</p> <p>9 interest.</p> <p>11:18 10 Q. Now, at some point, do you recall whether</p> <p>11 JPMorgan had a different lease review procedure than</p> <p>12 the one outlined here in Exhibit 611?</p> <p>11:18 13 A. A different lease review? I -- I don't</p> <p>14 recall that there was ever anything different.</p> <p>11:18 15 Q. And I guess that you said that the Bank One</p> <p>16 merger took place in 2004, right? And --</p> <p>11:18 17 A. Yes.</p> <p>11:18 18 Q. -- they adopted Bank One's procedures in</p> <p>19 2004?</p> <p>11:19 20 A. No, that's not really what happened. Both</p> <p>21 banks had procedures, and those were maintained for a</p> <p>22 period of time. And then there was a -- a review of</p> <p>23 the -- of the two procedures, with a single set of</p> <p>24 procedures that were developed, I'm going to say, in</p> <p>25 the 2005-6 time frame. But until then, I think both</p>
<p style="text-align: right;">Page 93</p> <p>1 share with them, and we like to do that, keep them</p> <p>2 abreast of what's going on and how things are</p> <p>3 progressing. So that -- that would be the</p> <p>4 difference.</p> <p>11:16 5 Q. And in a trust situation, if you had 3,000</p> <p>6 acres that you were considering leasing, you would</p> <p>7 have a fair amount of internal discussion at Heritage</p> <p>8 before a lease was signed. Is that right?</p> <p>11:16 9 A. Probably, just by the nature of the fact</p> <p>10 that it was, you know, a fairly large tract and the</p> <p>11 financial impact benefit to our -- to our clients.</p> <p>11:16 12 Q. It -- it's an important decision when you</p> <p>13 decide to lease 3,000 acres, isn't it?</p> <p>11:17 14 A. It would be. Depends on the area again. If</p> <p>15 we had 10,000 acres in an area that had never been</p> <p>16 drilled, that -- the bonus is probably not going to</p> <p>17 be much. It -- it's still a good sign that someone's</p> <p>18 interested and is willing to lease it, but you may</p> <p>19 not -- other than the fact that there's an interest</p> <p>20 in the area, it's not going to have a big financial</p> <p>21 impact as much as just the fact that there's interest</p> <p>22 and maybe something good's going to happen in the</p> <p>23 area.</p> <p>11:17 24 Q. Right. So when you have interest in a</p> <p>25 certain area, that puts you on alert that there may</p>	<p style="text-align: right;">Page 95</p> <p>1 banks operated on their separate policies and</p> <p>2 procedures until that was done.</p> <p>11:19 3 Q. Okay. Let me -- let me tell you. I just --</p> <p>4 Greg Crow. You know who Greg Crow is, right?</p> <p>11:19 5 A. Yes.</p> <p>11:19 6 Q. He just testified in a deposition, and I'll</p> <p>7 explain what Mr. Crow said, and you can tell me if</p> <p>8 you recall this or whether you think it is correct.</p> <p>9 He indicated in his deposition that prior to 2006,</p> <p>10 when this policy went into effect, that what would</p> <p>11 happen at JPMorgan is a property manager was -- was</p> <p>12 required to get lease approval from a senior location</p> <p>13 manager and a trust advisor. And then what would</p> <p>14 happen is the lease would go to a formal trust</p> <p>15 committee for approval. Do you recall that procedure</p> <p>16 during your tenure at JPMorgan?</p> <p>11:20 17 A. That -- that was the procedure up to the</p> <p>18 merger. They might have continued with that in the</p> <p>19 Houston office after that, but that wasn't the</p> <p>20 procedure for -- for the combined merged banks after</p> <p>21 that -- the rewrite of the procedures.</p> <p>11:20 22 Q. And when did that rewrite take place?</p> <p>11:21 23 A. I'm going to say 2005, 2006.</p> <p>11:21 24 Q. Okay. Do you know why that procedure was</p> <p>25 taken out of place and replaced with the procedure</p>

<p style="text-align: right;">Page 96</p> <p>1 here in Exhibit 611?</p> <p>11:21 2 MR. WILLIAMS: Objection, form.</p> <p>11:21 3 A. Well, the -- if you're talking about the</p> <p>4 JPMorgan procedure?</p> <p>11:21 5 Q. Yes.</p> <p>11:21 6 A. Okay. There were two procedures and there</p> <p>7 needed to be one, and that the -- JPMorgan had</p> <p>8 decided to -- to use the bank model, and so that</p> <p>9 included the Bank One policy and procedures that were</p> <p>10 in place. Bank One had determined that, generally</p> <p>11 speaking, the -- the trust officer didn't really lend</p> <p>12 anything to -- to the -- to the arrangement or</p> <p>13 agreement as far as really understanding because --</p> <p>14 so their -- their sign-off was -- was -- usually,</p> <p>15 they didn't contribute anything to -- to the deal as</p> <p>16 far as the terms, and so that was eliminated as one</p> <p>17 of the steps in there, is to take that through a</p> <p>18 trust committee, and it was maintained at the -- at</p> <p>19 the department level, the approval.</p> <p>11:22 20 Q. So the trust officer and the trust committee</p> <p>21 were both taken out. Is that -- is that right?</p> <p>11:22 22 A. As far as the policy and procedures go.</p> <p>23 They're -- they might have been involved in it.</p> <p>24 Depending on the account and the client, but as far</p> <p>25 as an approval on the lease, they were not.</p>	<p style="text-align: right;">Page 98</p> <p>1 ranging from investments, to real estate property, to</p> <p>2 everything they may have. And I don't have</p> <p>3 experience with that, just the Oil and Gas piece.</p> <p>11:24 4 Q. Okay. Now, are you aware that the STS Trust</p> <p>5 contains 132,000 mineral acres right in the heart of</p> <p>6 the Eagle Ford Shale play?</p> <p>11:24 7 A. I couldn't have told you the size, so that's</p> <p>8 the first time I've heard that figure. I know it was</p> <p>9 a large ranch in the Eagle Ford area.</p> <p>11:24 10 Q. In your experience, is it rare to have a</p> <p>11 mineral acreage of that size which is subject to a</p> <p>12 single point of control like the STS property?</p> <p>11:25 13 A. It's the only account I've ever known that</p> <p>14 had that size of a property.</p> <p>11:25 15 Q. As a mineral manager, would you agree that</p> <p>16 the size and single point of control of the STS</p> <p>17 acreage provides special value?</p> <p>11:25 18 A. Can you elaborate on that?</p> <p>11:25 19 Q. Well, the fact that you've got a</p> <p>20 tremendously large contiguous asset that is all</p> <p>21 subject to one point of control, does that make that</p> <p>22 asset of special value to oil producers?</p> <p>11:25 23 A. When you say one point of control being?</p> <p>11:25 24 Q. Being JPMorgan.</p> <p>11:25 25 A. Okay. I -- I would say yes.</p>
<p style="text-align: right;">Page 97</p> <p>11:22 1 Q. Does Heritage have anyone with trust</p> <p>2 experience that is required to review leases before</p> <p>3 they're approved?</p> <p>11:23 4 A. A trust officer? No.</p> <p>11:23 5 Q. Well -- You said no?</p> <p>11:23 6 A. A trust -- Not a trust officer, no.</p> <p>11:23 7 Q. Okay. And the head of the department at</p> <p>8 Heritage, does he have trust experience?</p> <p>11:23 9 A. As a -- as a trust officer? You know, I --</p> <p>10 I'm going to say that I don't know. I know he has</p> <p>11 oil and gas experience working for a trust company.</p> <p>12 Whether he has trust experience, I -- I don't know.</p> <p>13 You're going to have to ask him that.</p> <p>11:23 14 Q. Fair enough. You have trust experience,</p> <p>15 though?</p> <p>11:23 16 A. As an oil and gas property manager.</p> <p>11:23 17 Q. Okay.</p> <p>11:23 18 A. You know, when you say trust experience,</p> <p>19 I -- I take that to be as a trust officer dealing</p> <p>20 with --</p> <p>11:23 21 Q. A fiduciary --</p> <p>11:23 22 A. -- dealing --</p> <p>11:23 23 Q. -- trust officer.</p> <p>11:23 24 A. Yeah, dealing with the clients as their</p> <p>25 relationship manager, overseeing the entire account,</p>	<p style="text-align: right;">Page 99</p> <p>11:25 1 Q. Okay. Can you tell me why?</p> <p>11:25 2 A. Just that it's one place that you have to go</p> <p>3 to negotiate to acquire a lease or an agreement</p> <p>4 covering all or a portion of that -- of that acreage.</p> <p>5 They don't have to do as much -- Now, they may -- it</p> <p>6 might be -- it depends on how it was put together.</p> <p>7 You know, if it was one ranch all along, the -- the</p> <p>8 title may be easier to run. If it was put together</p> <p>9 by smaller tracts being acquired over time, then each</p> <p>10 of those might have their own, separate title. I</p> <p>11 don't know enough about STS to know how -- how it</p> <p>12 came about. But assuming that it was one large piece</p> <p>13 of land with one source of title, it's certainly</p> <p>14 easier to run title on that than on hundreds of</p> <p>15 smaller tracts that would add up to that.</p> <p>11:26 16 Q. Do you -- do you recall that when you were</p> <p>17 at JPMorgan in 2007-2008 as to whether there was any</p> <p>18 discussion with any of the mineral managers and</p> <p>19 yourself about the state of the economy and the</p> <p>20 financial crisis?</p> <p>11:27 21 A. I -- I don't recall having a specific</p> <p>22 conversation like that. I'm sure there might have</p> <p>23 been, but I don't recall it.</p> <p>11:27 24 Q. To your knowledge, did the crisis have any</p> <p>25 impact on JPMorgan's leasing strategy?</p>

<p style="text-align: right;">Page 100</p> <p>11:27 1 A. I wouldn't say the strategy as much as just 2 the overall industry. I -- I -- Ask that question 3 again. Maybe I'm not answering it.</p> <p>11:27 4 Q. Sure. To your knowledge, did the financial 5 crisis in 2007, 2008 have any impact on JPMorgan's 6 leasing strategy?</p> <p>11:27 7 A. I -- I would say no.</p> <p>11:27 8 Q. You would not expect a mineral manager under 9 your supervision to make leasing determinations based 10 on that individual's beliefs about the current state 11 of the economy, would you?</p> <p>11:28 12 MR. WILLIAMS: Objection, form.</p> <p>11:28 13 A. I -- I would think that you're looking at 14 from what the offer is, what's going on in the -- in 15 the area, what's happened in the area prior to that. 16 I -- certainly the -- the economy is -- is in the 17 backdrop, but I think that the overall is what's 18 going on -- you know, what necessarily happens in the 19 economy doesn't necessarily equate to what's going on 20 in the oil industry. And, you know, we've -- we've 21 seen a bad economy since 2008, but the oil industry 22 has actually done well during that time. And so I 23 think what you're trying to do is negotiate the best 24 you can at that point in time, based on what you see 25 and know at that point in time.</p>	<p style="text-align: right;">Page 102</p> <p>11:31 1 A. Well, again, that's -- You know, my 2 individual way of handling things might be different 3 than -- than others. It might be that I felt that 4 this was a good deal and they were going to be an 5 active, aggressive company, and so we wanted to see 6 that continued. I -- I mean, you're asking me to 7 speculate, and I really can't.</p> <p>11:31 8 Q. Well, let me try and fill in some facts to 9 help you out. The May of 2008 leases were signed 10 with bonuses of \$150 and \$175 an acre, two- and 11 three-year primary terms. The July lease -- Those -- 12 those leases were about 25,000 acres in May of 2008. 13 The discovery well was drilled on those May leases. 14 Before the announcement of the discovery well, they'd 15 leased out about 17,000 more acres in July of 2008 at 16 about 200 bucks an acre, and I think it was 17 three-year primary terms. And then what ultimately 18 happened was this was announced on October 22nd, the 19 discovery well had hit, and it was publicly 20 announced, and following that, there were three more 21 leases for about 37,000 acres which were at \$200 an 22 acre, and they had five-year primary terms and the 23 continuous drilling obligations -- those terms 24 actually got worse as compared to the earlier leases.</p> <p>11:32 25 If you were managing STS and you're here at</p>
<p style="text-align: right;">Page 101</p> <p>11:29 1 Q. I think I mentioned earlier that the Eagle 2 Ford discovery well was publicly announced on about 3 October 21st of 2008. Can I ask you to go back to 4 Exhibit 34 for just one second?</p> <p>11:29 5 A. (Witness complies.)</p> <p>11:29 6 Q. Now, this is a letter that is signed by 7 JPMorgan the day after the announcement of the 8 discovery well, and it purports to commit nearly 9 40,000 acres of STS lands to Petrohawk. Can you tell 10 me, based on your experience as a mineral manager, 11 would you have signed a letter like this the day 12 after Petrohawk announced the discovery well on the 13 STS lands?</p> <p>11:30 14 A. I -- I can't say. I think it depends on 15 what -- you know, the discovery well, the prior 16 negotiations, the other interest that -- that's been 17 shown or not shown. There's a lot of factors. So I 18 can't really second-guess the signing or -- or not of 19 this -- of this letter agreement at this point in 20 time on what I would have done or not done.</p> <p>11:30 21 Q. But wouldn't you want to -- once this thing 22 is out in the press and everybody's getting aware of 23 it, wouldn't you want to see what you might be able 24 to get for that acreage in a sort of a competitive 25 process?</p>	<p style="text-align: right;">Page 103</p> <p>11:33 1 Heritage, would you have leased out that last 37,000 2 acres on terms that were very, very similar to what 3 the terms were before the discovery well was 4 announced?</p> <p>11:33 5 A. You know, this -- this is just a 6 speculation, and I don't -- I don't feel that's fair 7 to -- to go in that direction, you know. If it's a 8 factual thing you want me to -- to give my input, but 9 I -- I don't want to get into a speculation of 10 what -- what I would have done or not done. I don't 11 think that's really fair.</p> <p>11:33 12 It's certainly easy to look back in 13 hindsight and say you'd do things differently. But 14 at this point in time I don't think, you know, what I 15 think is that's all tainted kind of by what's 16 happened since, so I don't -- I don't know that I can 17 answer that.</p> <p>11:33 18 Q. That's fair. How is it hindsight when you 19 have a discovery well and you know at least -- 20 Wouldn't you have known, once there's a discovery 21 well, that there's a potential for the acreage to 22 become pretty valuable?</p> <p>11:34 23 A. Well, the hindsight that I'm referring to is 24 look -- looking at what was done now six years ago, 25 and certainly at the time, you should factor</p>

<p style="text-align: right;">Page 104</p> <p>1 everything in that -- that's happened, use all the 2 information available. Like I said earlier, any time 3 you make a deal, you pull together all the 4 information that you can and that's available at that 5 point in time and make -- make a decision based on 6 that.</p> <p>11:35 7 So, you know, I don't know the relative 8 closeness or proximity, for example, of the well to 9 the property. Are we talking about a mile away? Are 10 we talking about -- These are all things that would 11 be considered, a mile away, 10 miles away, 20 miles 12 away, because --</p> <p>11:35 13 Q. Well, let me tell you --</p> <p>11:35 14 A. But -- but I don't know.</p> <p>11:35 15 Q. Okay. Well, I'll try and fill in just a few 16 facts. The discovery well was drilled right on the 17 STS property, and it was drilled in the first 25,000 18 acres that was leased out in May of 2008. And what 19 I'm asking you, is after you had leased out 25,000 20 acres, which is a pretty substantial piece of 21 acreage, would you, personally, think it would be 22 prudent to try and gather more information and figure 23 out what may be happening on this land before you 24 leased out the remainder of the 80,000 acres?</p> <p>11:36 25 A. You know, I -- I think you try to pull</p>	<p style="text-align: right;">Page 106</p> <p>1 55,000 acres, if anything?</p> <p>11:38 2 A. Well, is that -- I mean, it goes back to 3 these, Assume this, assume that, and I -- I really 4 don't feel that -- that it would be right for me to 5 start saying, This is what I'd do, that's what I'd 6 do, so I -- you know, it's just a -- what's happened 7 has happened here, and I -- I don't know that it -- 8 that it -- I should be speculating on what we would 9 do or not do different from what was done.</p> <p>11:38 10 Q. You don't feel comfortable discussing what 11 you would do in the factual circumstance that I just 12 presented to you?</p> <p>11:38 13 A. No.</p> <p>11:38 14 MR. CHRISTIAN: Okay. That's all I have 15 then.</p> <p>11:38 16 MR. WILLIAMS: All right. Let's take a 17 break. All right, you're passing the witness?</p> <p>11:38 18 MR. CHRISTIAN: Yes.</p> <p>11:38 19 MR. WILLIAMS: Okay.</p> <p>11:38 20 MS. ROBERTS: Going off the record, 11:38. 21 This will be the end of Tape 2. 22 (Whereupon, a short recess was held.)</p> <p>11:39 23 MS. ROBERTS: We're back on the record, 11:45 24 11:47. This is the beginning of Tape 3. 11:47 25 CROSS-EXAMINATION</p>
<p style="text-align: right;">Page 105</p> <p>1 together all the information you can and -- and base 2 decisions on that, and I -- I don't think that 3 what -- I mean, you're trying to get me to say 4 I would have done things differently here. I don't 5 know that I would have at the time. I -- I just -- 6 Certainly, looking at it now, with -- with what's 7 happened, it would be easy to say, yes, you shouldn't 8 have leased anything more than 1,000 acres. But, you 9 know, at the time, you -- you leased what you did.</p> <p>11:36 10 I don't know the considerations that went into the -- 11 the lease that you're talking about, so I would have 12 to know that before I -- There might have been very 13 good and valid reasons for why that -- this -- this 14 deal was done. I don't know.</p> <p>11:36 15 Q. Well, maybe what I can do is, I can give you 16 facts to assume so that we can give you a more 17 specific example of what you might do today at 18 Heritage. Let's assume that you have -- at Heritage, 19 that you're managing a 132,000-acre property, and 20 that you lease out 25,000 acres, just about 25,000 21 acres, in two leases to a known shale player. You 22 lease them out at 150 bucks an acre and 175 bucks an 23 acre with two- and three-year primary terms. So 24 you've got about 55,000 acres left. What would you 25 want to do before you leased out that remaining</p>	<p style="text-align: right;">Page 107</p> <p>11:47 1 BY MR. WILLIAMS:</p> <p>11:47 2 Q. All right, Mr. Herford, I'm going to ask you 3 a few questions now, and I'm going to try to not 4 replot a bunch of ground that we've just plowed. But 5 just so we're clear on some of your answers and 6 testimony, I may go back over some things.</p> <p>11:48 7 It's my understanding that you became head 8 of Oil and Gas for JPMorgan in 2005. Is that 9 correct?</p> <p>11:48 10 A. Yes.</p> <p>11:48 11 Q. And that was in line with your move to Fort 12 Worth.</p> <p>11:48 13 A. Yes.</p> <p>11:48 14 Q. All right. And so, from 2005 until you 15 stepped down as head of Oil and Gas, you were head of 16 all of the -- or you were the -- Well, you were head 17 of the entire oil and gas department and specialty 18 assets for JPMorgan, correct?</p> <p>11:48 19 A. Yes.</p> <p>11:48 20 Q. And so, all of the senior mineral managers 21 would have reported directly to you.</p> <p>11:48 22 A. Yes.</p> <p>11:48 23 Q. And so Patty -- Patricia Schultz-Ormond, she 24 would have been one of those senior mineral managers 25 that reported directly to you, correct?</p>

11:48 1 A. Yes.

11:48 2 Q. And do you recall, had she already been

3 employed by JPMorgan when you became head in 2005, or

4 was it sometime after that?

11:49 5 A. No. **She was -- she was actually hired by --**

6 **I'm going to say by Greg Crow. She was hired by**

7 **JPMorgan, but Greg Crow was the one that interviewed**

8 **her initially. We had an opening in Houston, and our**

9 **initial thoughts were that we were hiring somebody**

10 **for the Houston position, but it turned out that she**

11 **did not want to go to Houston, and we felt like she**

12 **was a very strong candidate and property manager,**

13 **that there was a benefit to having a presence in San**

14 **Antonio, that actually, I -- I found out -- I didn't**

15 **know it at first, that there had been an office in**

16 **San Antonio that had been closed and those accounts**

17 **moved to Houston, and so this allowed us to move**

18 **those back to San Antonio, which is where the front**

19 **office managed those accounts.** And we also felt that

20 there was, you know, opportunity there for -- for

21 other new business in the San Antonio area. So Patty

22 was a good fit for that and we hired her. **Initially,**

23 **she reported to Greg Crow, and then later she was**

24 **promoted to a senior property manager position.**

11:50 25 Q. Okay. And was that promotion in connection

1 with the reopening of the San Antonio office?

11:50 2 A. No. It was -- it was after that --

11:50 3 Q. Okay.

11:50 4 A. -- that San Antonio was open -- was opened.

5 She was hired -- I can't tell you the timing of that,

6 but initially she was -- she was not a senior

7 property manager.

11:50 8 Q. Well, and you may not recall this, but is it

9 possible that she may have worked in Houston for a

10 short period of time before, then she went back to

11 San Antonio?

11:50 12 A. She might have commuted. I don't recall.

11:50 13 Q. Okay. And was it your decision to reopen

14 the San Antonio office?

11:50 15 A. I -- I recommended it, yes.

11:50 16 Q. Okay. And you would have recommended that

17 to your supervisor at the time, was Kevin Smith?

11:50 18 A. You know, I don't recall if it was Paul

19 Midkiff or -- or Kevin at the time that occurred.

11:51 20 Q. Okay. Now, you testified some about these

21 manager meetings that you conducted while you were

22 head of Oil and Gas, correct?

11:51 23 A. Okay.

11:51 24 Q. And you said that these manager meetings

25 were held on a regular basis?

11:51 1 A. Tried to.

11:51 2 Q. Okay. And did managers attend these

3 meetings in person and by telephone, or how -- how

4 did that happen?

11:51 5 A. Well, the -- Both. The Fort Worth managers

6 were in person. The outlying office -- offices

7 would -- would call in.

11:51 8 Q. Okay. So you would have a conference call

9 number, and then all the outlying managers would call

10 into this conference call number at a certain time?

11:51 11 A. Yes.

11:51 12 Q. **And then as head in Oil and Gas, were you**

13 **the chairman, so to speak, of these meetings?**

11:51 14 A. I guess moderator, chairman.

11:51 15 Q. Okay. And were all of the mineral managers

16 expected to call in to these meetings?

11:52 17 A. Yes.

11:52 18 Q. Okay. **And so, as a senior mineral manager,**

19 **Patricia Schultz-Ormond would have participated in**

20 **these conference calls, correct?**

11:52 21 A. Yes.

11:52 22 Q. And you recall her participating?

11:52 23 A. Yes.

11:52 24 Q. Now, tell me again what, in general, would

25 be the format for these calls.

11:52 1 A. I would start the call with the -- sharing

2 any corporate-type information, information that

3 Kevin Smith had passed on to -- to me. He would have

4 an occasional meeting or call with -- with his --

5 with the heads of the closely held oil and gas real

6 estate and farm and ranch management and share

7 information that -- that we would then pass on. I --

8 I can't tell you a specific instance, but whatever he

9 had shared pertaining to the company, we would share

10 with -- with the team. So that would be the -- the

11 first thing.

11:53 12 And then, after that, I would go around the

13 table -- Initially, we -- we had them where everybody

14 shared, but it was taking too long, so we would have

15 the senior property managers represent the team and

16 then, on occasion, invite one of the property

17 managers to -- to tell more. Or if the senior

18 property manager wasn't there, they would ask one of

19 the property managers reporting to them to -- to

20 represent that office in -- in the call.

11:53 21 So in -- and **they would talk about what's**

22 **going on in their area, and this would include any --**

23 **any leases that had been done, any negotiations that**

24 **were going on that --** Now, again, there wouldn't be

25 one -- There's a lot of small interest deals,

<p style="text-align: right;">Page 112</p> <p>1 quarter-acre, half-acre, one acre, not a lot of time 2 spent on those. But if there was anything worth 3 mentioning, they would; if there was any new client 4 opportunities, they would talk about that; if there 5 were any closings that had come up, they would talk 6 about that. They would talk about, if there was a 7 status of a closing or an opening, where that stood, 8 what was going on with it. And if there were any -- 9 any issues that were, you know, of -- of enough size 10 that everybody needed to be aware of it with -- with 11 a particular company. So -- that -- that would kind 12 of be the general format.</p> <p>11:54 13 It would follow the reporting spreadsheet 14 that had been prepared so they could actually use 15 their spreadsheet and -- and go right from it. But 16 certainly, they could hand that in and everybody 17 could read them, but this was, I think, opportunity 18 to -- to -- to share, and if there were any 19 questions, somebody could ask a question.</p> <p>11:55 20 Q. Okay. So, in advance of the meeting, senior 21 mineral managers such as Patricia Schultz-Ormond were 22 expected to fill in information on a spreadsheet 23 about these pending trades, leases that had been 24 done, etc., correct?</p> <p>11:55 25 A. What -- what I tried to do was set it up to</p>	<p style="text-align: right;">Page 114</p> <p>1 of Oil and Gas, did you continue to moderate those 2 calls?</p> <p>11:56 3 A. Yes.</p> <p>11:56 4 Q. Even after you'd moved to Arkansas?</p> <p>11:56 5 A. Yes.</p> <p>11:56 6 Q. And then, did those calls continue after 7 Mr. Hayes-Davis took over?</p> <p>11:56 8 A. I -- I don't recall. I -- I don't think so, 9 but I don't recall.</p> <p>11:56 10 Q. Okay. It's -- it's possible; you just don't 11 recall?</p> <p>11:57 12 A. Yes, that's correct.</p> <p>11:57 13 Q. All right. All right. As -- as 14 Ms. Ormond's supervisor at JPMorgan, what were your 15 impressions of her as a mineral manager?</p> <p>11:57 16 A. I thought real highly of Patty Ormond as 17 a -- one of the sharpest property managers that we 18 had; that she was very knowledgeable about the oil 19 and gas industry as a whole; that she knew a great 20 deal and shared a lot with -- with the other property 21 managers, what she knew. She was one of the hardest 22 working mineral managers that we had and tried to do 23 all she could for the benefit of -- of the clients 24 that -- that she represented.</p> <p>11:58 25 Q. And did you ever have any problems with her</p>
<p style="text-align: right;">Page 113</p> <p>1 where the -- that was done and then the call was 2 held. And there was a -- a time when Kevin wanted 3 his reports, Kevin Smith wanted his reports turned 4 in, so I needed our reports prior to that. And -- 5 and so I wanted to not have duplicate work going on 6 in preparation for the conference call, so I tried to 7 time it where whatever work they put in to filling 8 out that information sheet was -- was when we had the 9 call, and -- and then they could share it, rather 10 than having to update it a week or two later.</p> <p>11:55 11 Q. Okay. And so, as senior mineral manager and 12 head of the San Antonio office, Patty Ormond would 13 have completed these spreadsheets, correct?</p> <p>11:56 14 A. Yes.</p> <p>11:56 15 Q. And she also would have represented the San 16 Antonio office in these regular mineral manager 17 calls, correct?</p> <p>11:56 18 A. Yes.</p> <p>11:56 19 Q. And she would have discussed her trades, 20 pending offers, etc.</p> <p>11:56 21 A. Yes.</p> <p>11:56 22 Q. And did those calls continue even after you 23 left Fort Worth and moved to Hot Springs, Arkansas?</p> <p>11:56 24 A. Yes.</p> <p>11:56 25 Q. And before Mr. Hayes-Davis took over as head</p>	<p style="text-align: right;">Page 115</p> <p>1 in terms of her work as a mineral manager for 2 JPMorgan?</p> <p>11:58 3 A. No.</p> <p>11:58 4 Q. How did you observe Ms. Ormond approaching 5 her management of the South Texas Syndicate 6 relationship?</p> <p>11:58 7 A. I -- I can't say that I ever actually 8 observed it. What -- what I gathered from by going 9 to NAPE and -- and seeing the work that she had done?</p> <p>11:58 10 Q. Yeah, that -- that's what I meant.</p> <p>11:58 11 A. Okay. I -- I felt like she had gone above 12 and beyond what most mineral management companies 13 would have provided for a similar client, that going 14 out and hiring a geophysicist to -- to identify the 15 seismic that was available and to reprocess that 16 seismic to identify prospects, to take those out on 17 the street and try to find someone interested in 18 them, to taking them to NAPE, that's just above and 19 beyond what -- what most companies, whether it's 20 JPMorgan before and after Patty Ormond or Bank of 21 America or even Heritage. You know, it's not normal 22 for a company in that position to actually generate 23 prospects, okay? And so what she had done with that 24 was extraordinary.</p> <p>11:59 25 Q. And how would you describe her management of</p>

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11:59	<p>1 South Texas Syndicate? Would you say that it was a</p> <p>2 passive management style or a more active management</p> <p>3 style?</p> <p>4 A. Well, my -- my impression, which is -- is</p> <p>5 limited, but it was an active and -- active</p> <p>6 management, and I -- I had the impression that she</p> <p>7 was spending a great deal of time and energy and</p> <p>8 effort on behalf of the South Texas Syndicate, many</p> <p>9 long hours.</p>		<p>1 asked, I -- I didn't like what was going on there</p> <p>2 until I started working with the individuals. And</p> <p>3 we -- we redirected what -- what they were going to</p> <p>4 do, to where they were really fully supporting, by</p> <p>5 their efforts, what was going on in the oil and gas</p> <p>6 department, and I felt they could really take a lot</p> <p>7 of load off of the property manager by doing work</p> <p>8 in -- in advance of the property manager taking it.</p> <p>9 And a lot of that would be the property manager could</p> <p>10 focus on analysis rather than input, and -- and so we</p> <p>11 created a way that assets would be red flagged for</p> <p>12 further research. And then my plan was to teach them</p> <p>13 how to do that research, again, to pull out facts and</p> <p>14 information that could then be reviewed and evaluated</p> <p>15 by the property manager.</p>
12:00	<p>10 Q. Okay. Were you also the supervisor of H.L.</p> <p>11 Tompkins?</p>		<p>16 But we hadn't got to that point whenever I</p> <p>17 was terminated, so the main thing that they were</p> <p>18 doing was downloading reports into an Excel format,</p> <p>19 and formulas were applied that would red-flag certain</p> <p>20 properties for further research. And that was at a</p> <p>21 point in time when I was let go, and where it went</p> <p>22 from there, I don't know.</p>
12:00	<p>12 A. Yes.</p>		
12:00	<p>13 Q. And I believe in your testimony earlier, you</p> <p>14 mentioned he was hired to be the head of the Houston</p> <p>15 office. Is that correct?</p>		
12:00	<p>16 A. Actually, I think he was hired to work in</p> <p>17 Houston initially -- And I could be wrong on this.</p> <p>18 This is a little fuzzy to me, whether he was hired --</p> <p>19 I think Greg Crow was there and then H.L. was hired.</p> <p>20 Greg Crow left, and I believe H.L. was then promoted</p> <p>21 to the head of the Houston office. But again, I</p> <p>22 could be off on the timing of that, but he was hired</p> <p>23 in the Houston office for sure.</p>	12:03	
12:00	<p>24 Q. Okay. And he reported to you?</p>		<p>23 Q. Okay. Was there ever any -- any discussion</p> <p>24 about moving mineral management functions, such as</p> <p>25 negotiating leases, etc., to anyone in India?</p>
12:01	<p>25 A. At -- at one point, yes.</p>		
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12:01	<p>1 Q. Okay. As a senior mineral -- senior mineral</p> <p>2 manager?</p>	12:03	<p>1 A. No.</p>
12:01	<p>3 A. Yes.</p>	12:03	<p>2 Q. Okay. So it was really limited to this</p> <p>3 subset of the account review process as you've --</p>
12:01	<p>4 Q. And what were your impressions of</p> <p>5 Mr. Tompkins' abilities as mineral manager?</p>	12:03	<p>4 A. Yeah.</p>
12:01	<p>6 A. I think he's very knowledgeable about oil</p> <p>7 and gas and land work. He was very thorough and very</p> <p>8 deliberate in his decision-making. He was good to</p> <p>9 work with -- and -- and never -- never saw any</p> <p>10 instance of where he didn't do anything but what he</p> <p>11 thought was best for his clients that he worked for.</p>	12:03	<p>5 Q. -- described in your testimony, correct?</p>
12:01	<p>12 Q. And as his supervisor, did you ever have any</p> <p>13 problems with his performance as a mineral manager?</p>	12:04	<p>6 A. That -- that's correct. And -- and even --</p> <p>7 there -- there was no discussion that they would have</p> <p>8 any contact whatsoever with clients or oil companies.</p>
12:01	<p>14 A. No.</p>	12:04	<p>9 Q. So this is just some kind of back office</p> <p>10 work?</p>
12:01	<p>15 Q. Mr. Christian was asking you some questions</p> <p>16 about a project you worked on, as far as having a</p> <p>17 group in India assist with account reviews. Do you</p> <p>18 recall that testimony?</p>	12:04	<p>11 A. That was correct.</p>
12:02	<p>19 A. Yes.</p>	12:04	<p>12 Q. Okay.</p>
12:02	<p>20 Q. And do you know if JPMorgan actually</p> <p>21 followed through with that or not?</p>	12:04	<p>13 A. That is correct.</p>
12:02	<p>22 A. I think they did for a short while. I</p> <p>23 was -- I was working on that at the time that they</p> <p>24 terminated my position, and I actually went from a --</p> <p>25 although, I -- I was happy to do whatever I was</p>	12:04	<p>14 Q. Mr. Christian was asking you some questions</p> <p>15 about your impressions of the various lease terms</p> <p>16 that were negotiated between JPMorgan and Petrohawk</p> <p>17 as reflected in some leases that he showed you.</p>
		12:04	<p>18 A. Uh-huh.</p>
		12:04	<p>19 Q. You remember that?</p>
		12:04	<p>20 A. Uh-huh, yes.</p>
		12:04	<p>21 Q. And I believe your testimony was that</p> <p>22 there's a lot of factors that have to be evaluated by</p> <p>23 a mineral manager in deciding whether or not to</p> <p>24 accept certain lease terms?</p>
		12:04	<p>25 A. Yes.</p>

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12:04	1 Q. And just based upon your work with	12:07	1 BY MR. WILLIAMS:
	2 Ms. Ormond, do you believe that she was qualified and	12:07	2 Q. So when you said it's very easy for you to
	3 had the abilities to fully evaluate those kinds of		3 have meetings, it really is. Just four of you get
	4 lease terms --		4 together in a room and talk about your trades,
12:05	5 A. Yes.		5 correct?
12:05	6 Q. -- on behalf of the STS Trust?	12:07	6 A. That, and we all office right next to each
12:05	7 A. Yes.		7 other.
12:05	8 Q. Mr. Christian also asked you questions about	12:07	8 Q. Go to lunch together?
	9 the circumstances under which you would agree to	12:07	9 A. Yeah, go to lunch together. There's a lot
	10 enter into lease extensions. Do you remember that		10 of shop talk at lunch.
	11 testimony?	12:07	11 Q. During these calls that you would have when
12:05	12 A. Yes.		12 you were head of Oil and Gas for JPMorgan, I think --
12:05	13 Q. And I believe your testimony there again was		13 I think I'm clear on this, but this --
	14 it depends on a lot of different circumstances on	12:07	14 A. Could I back up for a minute?
	15 whether or not to agree to a particular lease	12:07	15 Q. Sure.
	16 extension, correct?	12:07	16 A. That -- When I said there's four. There's
12:05	17 A. That's correct.		17 actually three and -- and one that's -- that's being
12:05	18 Q. And do you believe that Ms. Ormond would be		18 promoted to a property manager, so he has not been
	19 capable to evaluate those considerations and -- and		19 acting as a property manager prior till now. And he
	20 make a prudent decision on whether or not to grant a		20 was hired -- He's a young attorney that was hired,
	21 lease extension, for example?		21 and so he's been doing other work other than property
12:06	22 A. Yes.		22 manager work, but -- So he -- he will be actually --
12:06	23 Q. And what about Mr. Tompkins?		23 actually, there will be three and has been three, so.
12:06	24 A. Yes.	12:08	24 Q. Okay. Yeah. I wanted to ask you again
12:06	25 Q. And in terms of whether or not to grant		25 about these calls. I believe you mentioned that
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	1 extension, isn't it true that whether or not a lease		1 there would be -- all the mineral managers would be
	2 gets extended is oftentimes within the control of the		2 on the calls, and you might have 20 total mineral
	3 lessee, not the lessor, correct?		3 managers in the department. But do I understand your
12:06	4 A. Yes.		4 testimony correctly, that the senior mineral managers
12:06	5 Q. The lessee can decide to drill to maintain a		5 would do most of the discussion -- or lead most of
	6 lease, correct?		6 the discussions on the calls?
12:06	7 A. That's -- that's correct.	12:08	7 A. Initially, we went around the table with
12:06	8 Q. All right. And I think I'm clear on this,		8 everybody, and it was just taking too long, so we
	9 but I understood your testimony that at your present		9 narrowed that down to a representative from each
	10 employment with Heritage here in Oklahoma City, they		10 office. Dallas had -- or Dallas had two -- Or take
	11 do not have a formal oil and gas lease committee to		11 that back. Houston had one, Dallas had one, Fort
	12 review lease terms and transactions, correct?		12 Worth had two. So they -- the senior property
12:06	13 A. That's correct.		13 managers would be the one representing the area that
12:06	14 Q. And how -- how many mineral managers are		14 they oversaw or the team that they oversaw.
	15 there at Heritage?	12:09	15 Q. Okay. And that would be Patty Ormond for
12:07	16 A. Four. Soon to be three.		16 San Antonio?
12:07	17 Q. You're not leaving, are you?	12:09	17 A. Yes.
12:07	18 A. I'm retiring.	12:09	18 Q. In terms of a -- your testimony about the
12:07	19 Q. Oh, you're retiring. When are you going to		19 standard JPMorgan lease form, was I correct in
	20 retire?		20 understanding that there was not a standard royalty
12:07	21 A. I'm going to retire at the end of this		21 rate included in that form?
	22 month.	12:09	22 A. That's correct.
12:07	23 MR. WILLIAMS: Okay.	12:09	23 Q. So the royalty rate was also subject to
12:07	24 MR. CHRISTIAN: Congratulations.		24 negotiation?
12:07	25 THE WITNESS: Well, thank you.	12:10	25 A. That's correct.

<p style="text-align: right;">Page 124</p> <p>12:10 1 Q. Do you have an opinion as to whether or not 2 a 25 percent royalty rate is a good royalty rate for 3 wildcat acreage?</p> <p>12:10 4 A. Excellent royalty rate.</p> <p>12:10 5 Q. And in your experience as a mineral manager, 6 is it prudent in some instance to trade off a higher 7 bonus if you can get a higher royalty rate?</p> <p>12:10 8 A. Yes.</p> <p>12:10 9 Q. Can you explain your answer?</p> <p>12:10 10 A. I think that you're -- you're -- Usually, 11 the combinations of bonus and royalty range from a 12 very high bonus with a -- let's say a one-eighth 13 royalty, and as the royalty rate goes up, the bonus 14 goes down. And in many places, the bonus associated 15 with a quarter royalty is no bonus to get a quarter 16 royalty, because companies many times aren't willing 17 to pay a bonus if they're going to have to also give 18 a quarter royalty, and that's why that's an excellent 19 royalty in wildcat areas.</p> <p>12:11 20 When we look at a -- a lease -- We have to 21 take into account also the size of the acreage, a 22 one-acre tract is -- the -- the bonus is going to be 23 relatively minor impact versus, you know, if you 24 granted a one-eighth lease. It's going to be more 25 impactful to grant a quarter lease if a good well is</p>	<p style="text-align: right;">Page 126</p> <p>1 now and then as the play evolves, this is what it 2 went to and this is what it fell off to. I -- I 3 think my feeling is, is that whether it's shale play 4 or any play, that the success of the wells in the 5 play drive the competition for -- for the open 6 acreage. And as the open acreage gets leased, the 7 remaining acres, they're fewer and fewer, so the 8 prices that are paid for those tend to go up. And 9 that's as long as successful wells continue to be 10 drilled and -- and appear to be a good place to be 11 drilling. But, you know, that can quickly turn 12 around, too, with factors such as the price of oil 13 and gas dropping and bad wells being drilled.</p> <p>12:14 14 Q. And within particular shale plays, there are 15 some areas that become more target areas than others, 16 correct --</p> <p>12:14 17 A. Yes.</p> <p>12:14 18 Q. -- based on the success of wells?</p> <p>12:14 19 A. Right.</p> <p>12:14 20 Q. So just because you have some acreage that 21 may be in the Barnett Shale doesn't mean you're going 22 to get the same bonus, necessarily, as acreage in a 23 different part of the Barnett Shale.</p> <p>12:14 24 A. That's correct.</p> <p>12:14 25 Q. When you were the head of Oil and Gas for</p>
<p style="text-align: right;">Page 125</p> <p>1 drilled long-term, and that's the approach that -- 2 that we tried to take, is what's best for the client 3 long-term. At the same time, there are clients that 4 have near-term, immediate financial needs, and you 5 have to consider that, too, in that decision.</p> <p>12:11 6 If you are taking the high royalty rate, 7 then you're kind of rolling the dice with the oil 8 company whenever you reduce the -- the bonus, but 9 it's still -- if you could get both, that's the -- 10 that's the best of both worlds, is getting bonus and 11 royalty of -- of a quarter.</p> <p>12:12 12 Q. Okay. Mr. Christian was asking you some 13 questions about shale plays and how bonuses may 14 escalate as shale plays develop. Do you remember 15 those questions?</p> <p>12:13 16 A. Yes.</p> <p>12:13 17 Q. And he even described that there might be a 18 bell curve that would apply. Did I understand your 19 testimony to be that, based on your experience, there 20 really is no typical type of shale play in terms of 21 how bonuses may escalate or increase as the play 22 matures?</p> <p>12:13 23 MR. CHRISTIAN: Objection, form.</p> <p>12:13 24 A. You know, I -- I've never sat down and -- 25 and drawn it out with, you know, this is the bonus</p>	<p style="text-align: right;">Page 127</p> <p>1 JPMorgan, did you have input in determining financial 2 bonuses for the employees that worked under you?</p> <p>12:15 3 A. I did.</p> <p>12:15 4 Q. And what were the factors that went into 5 your input?</p> <p>12:15 6 A. I think it was their overall work that they 7 were doing and the quality of that work, the fact 8 that, in general, banks have a difficult time 9 competing with oil companies in -- in paying the -- 10 the salaries, and so we had to always be mindful of 11 that people could leave and make considerably more 12 money working for an oil company. And so part of the 13 bonus was with that in mind, you know, they could 14 make double what they were making working for the 15 bank, and so we would consider that.</p> <p>12:16 16 And the profitability of the department in 17 the bank was also a consideration. Not that I 18 necessarily knew the exact -- you know, the bank's 19 profits are reported and -- but we know going in that 20 either we're doing well or we're not doing well, 21 and -- and -- because that was the first factor.</p> <p>12:16 22 I think that when Jamie Dimon took over Bank 23 One and then later became the head of JPMorgan, one 24 of his positions was that bonuses were not an 25 entitlement, they were earned. And so, as long as</p>

<p style="text-align: right;">Page 128</p> <p>1 the department was doing well and the individuals 2 were doing well and meeting the -- there were several 3 objectives that had to be met to be eligible. One is 4 annual account reviews had to be done and current and 5 turned in on time. That -- that was a big one.</p> <p>12:16 6 And -- and that was a difference from at 7 JPMorgan versus Bank One. Bank One did the annual, 8 and JPMorgan took the position annual reviews weren't 9 needed if you were doing your job on a day-to-day 10 basis.</p> <p>12:17 11 But my experience, and I think the 12 experience of others, were that you still needed to 13 do that review, that one sit down, throw a complete 14 review of the account on an annual basis, so that was 15 one of the things that was implemented after the 16 merger.</p> <p>12:17 17 But making sure that they were done and done 18 on time was important in the bonus consideration and 19 their overall work that they did, if there were -- 20 how well they did in bringing in new accounts and 21 adding -- You know, the bottom line for the 22 department was making sure that -- that we were 23 profitable, so that all -- all factored in.</p> <p>12:17 24 Q. Okay. But a mineral manager didn't get, for 25 example, a commission based upon a particular bonus</p>	<p style="text-align: right;">Page 130</p> <p>1 both. And Patty Ormond was very much involved with 2 that team and had very much -- a lot of input in the 3 terms and provisions that were contained in that 4 standard lease form.</p> <p>12:19 5 Q. All right. Mr. Christian was asking you 6 some questions about what you would have done if you 7 had been presented with the lease offers that 8 Ms. Ormond was presented with by Petrohawk in 2008. 9 Remember that --</p> <p>12:20 10 A. Yes.</p> <p>12:20 11 Q. -- line of questions?</p> <p>12:20 12 Just based upon your experience managing 13 Ms. Ormond, do you believe that she was competent and 14 capable of evaluating information and making a 15 prudent decision on behalf of the STS Trust --</p> <p>12:20 16 A. Yes.</p> <p>12:20 17 Q. -- in 2008 --</p> <p>12:20 18 A. Yes.</p> <p>12:20 19 Q. -- with respect to whether or not to enter 20 into the Petrohawk leases?</p> <p>12:20 21 A. Yes.</p> <p>12:20 22 Q. And do you think it's fair for you to sit 23 here today and second-guess her decisions?</p> <p>12:20 24 A. No.</p> <p>12:20 25 Q. Mr. Herford, I'm going to hand you what has</p>
<p style="text-align: right;">Page 129</p> <p>1 payment, correct?</p> <p>12:18 2 A. Oh, no. No.</p> <p>12:18 3 Q. And do you know whether or not Ms. Ormond 4 got a bigger bonus in 2008 because she signed leases 5 with Petrohawk?</p> <p>12:18 6 A. I do not know that. I think her bonus for 7 2008 would have been done in 2009, and I wouldn't 8 have had input at that point.</p> <p>12:18 9 Q. Okay. You had some testimony about the 10 JPMorgan lease form while you were there, correct?</p> <p>12:18 11 A. Yes.</p> <p>12:18 12 Q. Would you say that that was a lease form, 13 based on your experience, that was favorable to trust 14 beneficiaries?</p> <p>12:18 15 A. Absolutely.</p> <p>12:18 16 Q. Did you ever get pushback from oil companies 17 about your lease form?</p> <p>12:18 18 A. All the time.</p> <p>12:18 19 Q. Okay. So you would say, based on your 20 experience, it was a pro-lessor lease form?</p> <p>12:19 21 A. Absolutely. And I -- I'd like to add -- add 22 that we formed a committee from both sides of the 23 bank to review both banks, predecessor banks, 24 JPMorgan and Bank One, lease forms and to come up 25 with a -- a new recommended form that was the best of</p>	<p style="text-align: right;">Page 131</p> <p>1 been previously marked as Exhibit 798 in this case. 2 And I believe this is a email chain that starts with 3 an email from a Linda Merrill Haas to Patricia 4 Ormond, dated September 8, 2006, who it appears is an 5 STS beneficiary.</p> <p>12:21 6 A. Okay.</p> <p>12:21 7 Q. And then Ms. Ormond responds to her, and 8 Mr. Crow then forwards that email on to you, and you 9 forward that email -- or you respond back to 10 Mr. Crow. Do you see that?</p> <p>12:21 11 A. Yes.</p> <p>12:21 12 Q. Okay. And do you see the email from 13 Mr. Crow to yourself dated September 11, 2006?</p> <p>12:21 14 A. Yes.</p> <p>12:21 15 Q. He says, "Just wanted to share this email 16 with both of you. It not only highlights the 17 relationships that Patty's developing with her 18 clients, it also highlights Patty's efforts to 19 enhance the value of her clients' mineral assets. 20 Patty can provide you with the specifics on what she 21 has done to enhance the value of the South Texas 22 Syndicate minerals if you want an example for your 23 presentations."</p> <p>12:22 24 And then do you see your response there to 25 Mr. Crow? At the very top of the page.</p>

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12:22	1	A. Okay.		1	a gap.
12:22	2	Q. "Thanks, Greg. John --"	12:25	2	MR. WILLIAMS: We're up to 866 exhibits.
12:22	3	A. Yes.	12:25	3	MR. CHRISTIAN: Okay. We've gone through
12:22	4	Q. "John Bailey has been asking for anecdotal		4	them fast.
	5	evidence of our efforts, and this is perfect. I'm	12:25	5	MR. WILLIAMS: No, I don't mean just from
	6	sure Paul will share it with you. Patty is doing a		6	you. Trust me, it wasn't fast. All right.
	7	great job."	12:25	7	(Exhibit 866 was marked.)
12:22	8	So those are your thoughts and observations	12:25	8	BY MR. WILLIAMS:
	9	about --	12:25	9	Q. All right, sir, I'm going to hand you what's
12:22	10	A. Yeah. We --		10	been marked Exhibit 866. I'm going to give you just
12:22	11	Q. -- Ms. Ormond in 2006?		11	a second to read through that email chain, then I'll
12:22	12	A. Paul was the head of Specialty Assets; John		12	ask you some questions about it.
	13	Bailey was a Specialty Asset marketing person, so	12:25	13	A. (Witness complies.) Okay.
	14	that -- At one time John worked in the real estate	12:26	14	Q. All right. This starts with an email from
	15	area, and then he was promoted and -- and was a sales		15	you to Patty Ormond on November 26, 2006. Do you see
	16	and marketing person, and so he was looking for		16	that?
	17	evidence of where value was added, and that's what	12:26	17	A. Yes.
	18	that's talking about.	12:26	18	Q. And the way I read this email, you're asking
12:22	19	Q. Okay. And so, in 2006, you considered that		19	Ms. Ormond to lead a discussion with the other
	20	Ms. Ormond's efforts on behalf of South Texas		20	property managers about her efforts on the South
	21	Syndicate Trust was an example where your department		21	Texas Syndicate. Is that --
	22	had added value?	12:26	22	A. Yes.
12:23	23	A. I think so, yes. And I -- I -- I can't tell	12:26	23	Q. -- the gist of it?
	24	you specifically, based on this, what it was, but	12:26	24	A. Uh-huh.
	25	certainly having her -- her discussion here -- and	12:26	25	Q. And can you explain to me what you were
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	1	I -- I've never seen this before, so I'd have to read		1	asking her to do?
	2	it to see what she's talking about. You know, I say	12:27	2	A. Well, this -- this had to do with the extra
	3	I've never seen it. It's been since 2006 and I --		3	effort that she had put into generating prospects
12:23	4	Q. Fair enough.		4	on -- on the South Texas Syndicate property and what
12:23	5	A. -- I'd have to read it to catch up on what		5	she had done to cause that to happen. And I
	6	it's saying. And she's talking about -- just reading		6	thought -- as I mentioned earlier, it's not normal
	7	it, about the royalty being key, and -- and I would		7	for a mineral management company to actually generate
	8	agree with that.		8	prospects that you present to oil companies for
12:23	9	Q. Well, and in her email back to Ms. Haas,		9	consideration to drill -- to lease and drill, and
	10	she's talking about the geophysicist, the fact that		10	that's what she was doing.
	11	she'd retained the geophysicist that you mentioned	12:27	11	So she had shared that with me on the phone,
	12	before, correct?		12	and -- and I was aware that that's what she was doing
12:23	13	A. Uh-huh, uh-huh.		13	and very impressed with that, and I thought it might
12:24	14	MR. WILLIAMS: I've been told that our next		14	be -- we were going to have a -- a staff meeting, and
	15	number is -- Do you know what our next number is? I		15	I thought it would be a -- a good opportunity for her
	16	was told that it was 849.		16	to demonstrate what she had been doing so that the
12:24	17	MR. CHRISTIAN: 866, I think.		17	others could -- could learn from it.
12:24	18	MR. WILLIAMS: Oh, really? I was told it	12:27	18	Q. Okay. And there was some -- Some of your
	19	was 846.		19	prior testimony was about JPMorgan having a booth at
12:24	20	MR. CHRISTIAN: I thought it was 866.		20	the NAPE expo in Houston in 2007 and 2008. Do you
12:24	21	MR. WILLIAMS: Should I go to 866, and we		21	recall that?
	22	may just --	12:28	22	A. Yes.
12:24	23	MR. CHRISTIAN: Yeah.	12:28	23	Q. And can you tell me just first, what is
12:24	24	MR. WILLIAMS: -- have a gap?		24	NAPE?
12:25	25	MR. CHRISTIAN: It's probably safer to have	12:28	25	A. It's -- I think it stands for North American

<p style="text-align: right;">Page 136</p> <p>1 Petroleum Expo, and it was -- it was started on the 2 heels of the bust of the '80s by the American 3 Association of Petroleum Landmen, to bring together 4 in a central location, oil companies, big and medium 5 and small independents, that had prospects to drill. 6 And the intent was for others to come and -- and 7 perhaps negotiate a participation arrangement in that 8 particular prospect, and it was to bring them 9 altogether in a central location.</p> <p>12:29 10 Historically, companies and independents 11 would develop a prospect and they would go door to 12 door, showing, Here's our prospect and here's why we 13 like it and here are the terms to participate, and it 14 was very inefficient and very time consuming.</p> <p>12:29 15 So, they developed the NAPE format for all 16 of these independents. And it started out nowhere 17 near as big as it is today, and companies would bring 18 their prospects there, and potential buyers could 19 then walk around and look at them. And so, instead 20 of the prospect generator going around door to door 21 shopping, it was all in one place where interested 22 parties could go and look and perhaps negotiate a 23 participation arrangement.</p> <p>12:29 24 So, that -- that's how it started back in 25 the -- I'm going say the mid to late '80s and evolved</p>	<p style="text-align: right;">Page 138</p> <p>1 presented the STS opportunity at NAPE in 2007 and 2 2008, correct?</p> <p>12:31 3 A. I believe so.</p> <p>12:31 4 Q. All right. And so, what kind of exposure 5 did the South Texas Syndicate minerals receive by 6 having them presented at NAPE in 2007 and 2008?</p> <p>12:31 7 A. Oh, I think a lot of exposure, and it was 8 probably the No. 1 attraction, if you will, of our 9 booth that we had. That we had maps of acreage in 10 other areas, but for sure the -- the people that 11 stopped, the most had an interest in -- in Patty's 12 prospects that she had.</p> <p>12:32 13 Q. Okay. And when you say most, are we talking 14 about recognizable oil companies that would be there 15 looking at -- at different prospects?</p> <p>12:32 16 A. I -- I would say probably yes. I -- I don't 17 recall what companies stopped and talked to her about 18 the -- the prospects. But the -- the way it works at 19 NAPE is there -- there is actually a catalog of -- of 20 what's being presented, and so if you're looking for 21 shallow Kansas prospects, you can find them in there 22 and identify them and go look, or if you're looking 23 for South Texas prospects or Oklahoma prospects. So 24 I -- I imagine companies that were interested saw 25 that and came by, but I couldn't tell you who they</p>
<p style="text-align: right;">Page 137</p> <p>1 to where it was -- it was the norm in the industry to 2 kind of participate from a -- Most of the time, it 3 was presenting prospects, and so it was very unusual 4 for the banks to go there with actual prospects 5 versus blocks of acreage in areas that -- that might 6 be heating up in -- or in -- just in Oklahoma or 7 Texas in general or Louisiana or New Mexico or 8 wherever the place might be.</p> <p>12:30 9 You know, it's possible -- I -- I'm not 10 there. It's possible, but there might have been the 11 Bakken play demonstrated at NAPE before it ever 12 kicked off, for example. Someone would have had to 13 have looked at that, and -- and there might be 14 somebody with the prospect demonstrating it.</p> <p>12:30 15 But -- but that -- that was what NAPE was 16 about, and because we had large -- not just 17 necessarily one account but holdings in many, many 18 places, we -- we wanted to be there. And then Patty 19 had actually generated, through her efforts with the 20 geophysicist, actual prospects for consideration to 21 drill. And so we -- Far as I know, the bank had not 22 supported a NAPE booth prior to that, that I'm aware, 23 and so we -- we went -- I wasn't there in 2007, but I 24 did go in 2008.</p> <p>12:31 25 Q. Okay. And to your knowledge, Patty Ormond</p>	<p style="text-align: right;">Page 139</p> <p>1 were.</p> <p>12:33 2 Q. Okay. And did she also have handouts 3 that -- that she was giving to people about the South 4 Texas Syndicate?</p> <p>12:33 5 A. I -- I think so. I -- I don't recall 6 directly, but I believe so.</p> <p>12:33 7 Q. Mr. Christian was asking you about the 8 Haynesville Shale, and you said you had an office in 9 Shreveport and a person there that would have -- had 10 some leasing experience. Would that have been Lynn 11 Stephens?</p> <p>12:33 12 A. Yes.</p> <p>12:33 13 Q. And so, when you would have these regular 14 mineral manager calls, would Lynn Stephens have 15 participated in those calls?</p> <p>12:33 16 A. Yes.</p> <p>12:33 17 Q. And as the senior manager and head of that 18 Shreveport office, would she have been one of the 19 persons to talk about pending deals, etc.?</p> <p>12:34 20 A. Yes.</p> <p>12:34 21 Q. Okay. And -- and I believe your testimony 22 was that you didn't -- you don't recall specifically 23 talking about these Petrohawk leases with Ms. Ormond, 24 correct?</p> <p>12:34 25 A. That's correct.</p>

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12:34	1 Q. But you're not saying that she didn't	12:38	1 MR. WILLIAMS: Okay. All right, sir. Thank
	2 discuss these leases on these calls, are you?		2 you. I'm going to pass the witness.
12:34	3 A. You know, when you -- when you're talking	12:38	3 THE WITNESS: Okay.
	4 about leases, she -- she might have mentioned that	12:38	4 MR. CHRISTIAN: All right. I've got a few
	5 she was -- just like it was evident from the NAPE		5 follow-ups. I will try not to keep you too terribly
	6 meeting she was trying to find companies interested		6 long.
	7 in those properties, and she probably discussed that	12:38	7 REDIRECT EXAMINATION
	8 on the call. I don't recall if she ever went into	12:38	8 BY MR. CHRISTIAN:
	9 specifics of the type of trades that she was working	12:38	9 Q. I believe you just testified that Patty was
	10 on.		10 promoted to senior mineral manager, but I'm not sure
12:35	11 Q. She may have; you just don't recall?		11 I got the approximate date that she was promoted. Do
12:35	12 A. That's correct.		12 you -- do you remember when that was?
12:35	13 Q. Okay. I mean, it's a lot of -- a lot of	12:38	13 A. I don't. I -- I would say it was about the
	14 deals being talked about by a lot of people on these		14 time -- and I don't know the date or the month, but
	15 calls, right?		15 it -- it was probably after Greg Crow left or towards
12:35	16 A. Right, right.		16 the -- the end of his time before leaving.
12:36	17 Q. Earlier in your testimony, there was some	12:39	17 Q. Do you know when Greg Crow left?
	18 discussion about whether a financial crisis might	12:39	18 A. No.
	19 have impact on leasing strategy. Do you remember	12:39	19 Q. Okay. There was discussion about manager
	20 that --		20 meetings and spreadsheets that were filled out in
12:36	21 A. Yes.		21 advance -- Or excuse me. There was discussion about
12:36	22 Q. -- discussion?		22 these call-in meetings, where the mineral management
12:36	23 Is there a relationship between commodity		23 group would endeavor to fill out spreadsheets in
	24 prices and leasing efforts and leasing transactions?		24 advance of the calls.
12:36	25 A. Not on our side. But on the oil company's	12:39	25 A. Uh-huh.
Page 141		Page 143	
	1 side, I'm sure it comes into play, because they're --	12:39	1 Q. Do you recall that?
	2 they're the ones that's spending the money to drill	12:39	2 A. Yes.
	3 the wells and to buy the leases. And so, if there is	12:39	3 Q. Did JPMorgan retain those spreadsheets?
	4 a -- a big drop in oil prices or in gas prices, then	12:39	4 A. I -- I don't know. Kev -- Kevin Smith may
	5 they're liable to pull in on their efforts and reduce		5 have the -- the information that was from those, but
	6 their budgets and that sort of thing, so that will		6 whether or not they were retained by -- by Bert or
	7 affect the number of offers that we're seeing and		7 even continued, I don't know.
	8 that sort of thing.	12:39	8 Q. Were these circulated to everyone via email?
12:37	9 So, from a perspective of, Are we going to	12:40	9 A. They -- they were actually, I believe, on
	10 see more or less leasing in the coming year, and the		10 a -- on a shared drive, that the separate offices
	11 effect on our clients, it -- it does factor in, but		11 could go in and input their individual information,
	12 it doesn't factor into whether we -- what we do or --		12 and that would upfeed to the senior property
	13 or not on a particular lease negotiation.		13 manager's sheet that would then upfeed to -- to me.
12:37	14 Q. Well, but doesn't it factor in on whether or		14 So you could drill down either on the office level or
	15 not a particular lease offer is a good offer?		15 the individual level.
12:37	16 A. Yes. And, you know, there are -- there are	12:40	16 Q. And when you would go to make a new
	17 those out there that, in those conditions, try to		17 spreadsheet, would you write over the old information
	18 make a lowball offer, and we -- we would rather wait,		18 or would you start with a new template?
	19 if that's the case. We -- we weren't -- I'm not	12:40	19 A. Man, that -- that's a good question. I -- I
	20 aware of any one-eighth royalty leases, for example.		20 think -- I think it was a new one for the month, but
	21 If somebody came to us with an offer that contained a		21 I think there was one that compiled it and so you
	22 one-eighth royalty in -- in certain areas, we		22 could look at month to month, but I -- it's been a
	23 wouldn't -- we wouldn't consider it and say, "I'm		23 long time. I don't really remember exactly how that
	24 sorry. We're -- we're not going to do it. We'll		24 worked.
	25 wait."	12:40	25 Q. Okay. I'm just trying to find out if

<p style="text-align: right;">Page 144</p> <p>1 there's any way that I might able to get my hands on</p> <p>2 those spreadsheets. Do you know where they might be</p> <p>3 kept?</p> <p>12:41 4 A. No.</p> <p>12:41 5 Q. Would they be in any particular person's</p> <p>6 files, potentially?</p> <p>12:41 7 A. Well, like I said, possible that -- that</p> <p>8 Kevin or Bert would be the -- the two sources for</p> <p>9 those. But I'm not even sure that they continued</p> <p>10 those, and so they may have been lost since then.</p> <p>12:41 11 I don't know.</p> <p>12:41 12 Q. Do you know whether those were in effect</p> <p>13 around May of 2008?</p> <p>12:41 14 A. I do not. I don't know.</p> <p>12:41 15 Q. And you were asked some questions about your</p> <p>16 impressions of Ms. Ormond --</p> <p>12:41 17 A. Uh-huh.</p> <p>12:41 18 Q. -- do you recall?</p> <p>12:41 19 A. Yes.</p> <p>12:41 20 Q. Do you consider Ms. Ormond a friend?</p> <p>12:41 21 A. In a professional sense, yes.</p> <p>12:41 22 Q. Do you have a professional relationship with</p> <p>23 her today?</p> <p>12:41 24 A. Not -- not on a regular basis, but from time</p> <p>25 to time, I've reached out to her or had someone in</p>	<p style="text-align: right;">Page 146</p> <p>1 hindsight or second-guess her. I think at the time</p> <p>2 she -- she did the best she could with what she was</p> <p>3 doing. And so, if -- if I was to say I'm not here to</p> <p>4 say she did a good or a bad job -- if you want to ask</p> <p>5 me that, I can say I don't know, but I would say I</p> <p>6 think she did a good job for South Texas Syndicate.</p> <p>12:43 7 Q. Well, let me give you a few facts that you</p> <p>8 may not be aware of --</p> <p>12:43 9 A. Okay.</p> <p>12:43 10 Q. -- and then we'll reask the question.</p> <p>12:44 11 You may not be aware of this, but Petrohawk,</p> <p>12 when they were acquiring acreage down in the Eagle</p> <p>13 Ford, they used a company called First Rock to go in</p> <p>14 and covertly acquire acreage so Petrohawk's name</p> <p>15 wouldn't be out there. Did you know that?</p> <p>12:44 16 A. No.</p> <p>12:44 17 Q. Now, for some reason, Petrohawk approached</p> <p>18 Ms. Ormond directly in the spring of 2008 without</p> <p>19 using First Rock. Did you know that?</p> <p>12:44 20 A. I -- I don't know that she was approached by</p> <p>21 First Rock or Petrohawk, how that worked.</p> <p>12:44 22 Q. Well, that's why I'm telling you, because</p> <p>23 I -- You know, if we're going to talk about whether</p> <p>24 you think she did a good job, I want to give you some</p> <p>25 of the facts. So you can assume that as a fact.</p>
<p style="text-align: right;">Page 145</p> <p>1 our office reach out to her if there was something</p> <p>2 going on in South Texas area, that she was closer to</p> <p>3 the area and maybe able to help us with, you know,</p> <p>4 information since she's closer to the area, and --</p> <p>5 and we certainly have extended her an offer to do the</p> <p>6 same with us. And so, on that type of basis, I -- I</p> <p>7 have a relationship with -- with -- with Patty.</p> <p>12:42 8 Q. And -- and I had asked you some questions</p> <p>9 earlier, seeking to get your opinion on what may have</p> <p>10 been done with regard to the STS Trust. You aren't</p> <p>11 here to testify today one way or another with whether</p> <p>12 Ms. Ormond acted prudently or imprudently with</p> <p>13 respect to the Petrohawk leases that we've discussed</p> <p>14 today, are you?</p> <p>12:42 15 A. No.</p> <p>12:42 16 Q. And you were also asked whether Ms. Ormond</p> <p>17 was qualivied -- qualified to evaluate lease terms.</p> <p>18 Do you recall that?</p> <p>12:43 19 A. Yes.</p> <p>12:43 20 Q. And you're not saying that in this instance,</p> <p>21 with respect to the STS Trust, that Ms. Ormond did</p> <p>22 either a good or bad job in negotiating the Petrohawk</p> <p>23 or other lease terms that we've talked about today,</p> <p>24 are you?</p> <p>12:43 25 A. Well, I would say that, you know, I can't</p>	<p style="text-align: right;">Page 147</p> <p>12:44 1 And you can also assume that Petrohawk had</p> <p>2 publicly announced, and it was well known within the</p> <p>3 industry, that they were a shale player, okay?</p> <p>12:44 4 A. Okay.</p> <p>12:44 5 Q. Now, you can also assume that Petrohawk told</p> <p>6 Ms. Ormond, when it approached her, that it had</p> <p>7 900 million to spend and that it wanted every single</p> <p>8 STS acre it could get its hands on.</p> <p>12:45 9 A. Okay.</p> <p>12:45 10 Q. Okay? So, in May of 2008, she leased out</p> <p>11 25,000 acres, and then there were some new facts that</p> <p>12 came to bear. Following that lease, she learned that</p> <p>13 Petrohawk had withheld well data from her on the</p> <p>14 first well, which would later turn out to be the</p> <p>15 discovery well. Can you assume that?</p> <p>12:45 16 A. I'm going -- going to go off you telling me</p> <p>17 that's what happened.</p> <p>12:45 18 Q. Okay. And the next fact is that she learned</p> <p>19 that Petrohawk was not filing its well permits or</p> <p>20 lease memos timely so it could keep its activities a</p> <p>21 secret, okay?</p> <p>12:45 22 Now, also assume that Petrohawk as Ms. --</p> <p>23 asked Ms. Ormond not to show its geologic information</p> <p>24 to the geologists working on the STS Trust because it</p> <p>25 was concerned he might be a competitor. Can you</p>

<p style="text-align: right;">Page 148</p> <p>1 assume that fact?</p> <p>12:46 2 A. Okay.</p> <p>12:46 3 Q. And assume that she then learned, after she</p> <p>4 had leased the 25,000 acres in May, that Petrohawk</p> <p>5 had used First Rock to acquire a bunch of additional</p> <p>6 Eagle Ford acreage, okay?</p> <p>12:46 7 A. Okay.</p> <p>12:46 8 Q. Now, knowing all of this and knowing that</p> <p>9 she then leased out the remaining 55,000 acres on</p> <p>10 essentially the same terms as the first 25,000, are</p> <p>11 you prepared to say that you think she did a good job</p> <p>12 in leasing out that remaining 55,000 acres?</p> <p>12:46 13 MR. WILLIAMS: Objection, form.</p> <p>12:46 14 A. I'll just go back to what I said earlier,</p> <p>15 that, you know, it's easy to sit here and</p> <p>16 second-guess those -- You can build a case on what</p> <p>17 you think she did or didn't do. I -- I'm really here</p> <p>18 to testify to facts, not my opinion, or to share my</p> <p>19 understanding, and if -- if -- That's as far as I</p> <p>20 want to go. I don't want to get into my opinion on</p> <p>21 things.</p> <p>12:47 22 Q. I think that's totally fair, but when</p> <p>23 Mr. Williams asked you about your opinion, I believe</p> <p>24 that you did have a favorable opinion of how she</p> <p>25 handled the leasing on the STS acreage with regard to</p>	<p style="text-align: right;">Page 150</p> <p>12:48 1 Q. Okay. But you don't have an opinion on</p> <p>2 whether her actual leases with Petrohawk were good,</p> <p>3 bad, or different, do you?</p> <p>12:48 4 A. That's correct. Because I've never -- I</p> <p>5 wasn't involved in it. I have never read one of</p> <p>6 them. I couldn't tell you if it was good or bad.</p> <p>12:49 7 Q. Okay. And a little further fact, let's</p> <p>8 assume that Petrohawk publicly announced a successful</p> <p>9 shale well on October 1st of 2008; and that</p> <p>10 immediately after that, Ms. Ormond signed a letter</p> <p>11 professing an intention to lease all of the remaining</p> <p>12 Petrohawk -- or excuse me -- all of the STS acreage</p> <p>13 to Petrohawk on substantially the same terms as the</p> <p>14 earlier leases that we discussed. And in fact, in</p> <p>15 addition to that, she agreed to extend the primary</p> <p>16 terms to five years, to combine drilling obligations</p> <p>17 on two separate leases so that 33,000 acres would be</p> <p>18 held by one set of continuous drilling obligations.</p> <p>19 You wouldn't have an opinion on whether that was good</p> <p>20 or bad, would you?</p> <p>12:49 21 MR. WILLIAMS: Objection, form.</p> <p>12:49 22 A. You know, the thing is, is I -- I would --</p> <p>23 first of all, I don't even want to get into where</p> <p>24 I'm -- my opinion on any of this matters. But if --</p> <p>25 if there's -- there's -- I've learned there's always</p>
<p style="text-align: right;">Page 149</p> <p>1 Petrohawk.</p> <p>12:47 2 A. Okay.</p> <p>12:47 3 Q. And now, I'm telling you some additional</p> <p>4 facts, and I want to know if you're willing to</p> <p>5 continue having a favorable opinion or whether you</p> <p>6 have no opinion.</p> <p>12:47 7 MR. WILLIAMS: Objection, form.</p> <p>12:47 8 A. I -- I think the -- the opinion only had to</p> <p>9 do with the amount of work that she put in to trying</p> <p>10 to create activity, of which I was aware, and the</p> <p>11 effort she -- she made. Because if -- if there were</p> <p>12 companies out there kicking down the door to lease</p> <p>13 these lands, that would have been evident, and I</p> <p>14 don't think that was the case. And so, she did all</p> <p>15 she could to create interest and activity, and that's</p> <p>16 why I say I think she -- she did a good job, and that</p> <p>17 was my opinion and impression.</p> <p>12:48 18 These other facts, I -- I would just have to</p> <p>19 consider those. I -- I'm not really prepared at this</p> <p>20 point to -- to make a -- a claim one way or the</p> <p>21 other.</p> <p>12:48 22 Q. Okay. So your -- your opinion right now is</p> <p>23 that she worked pretty hard to try and generate</p> <p>24 interest in the STS asset.</p> <p>12:48 25 A. Very hard.</p>	<p style="text-align: right;">Page 151</p> <p>1 two sides to a story, and I'm hearing your side to</p> <p>2 it, and I don't want to hear Patty's side to why she</p> <p>3 did those things, but I'm sure there's valid reasons</p> <p>4 for what she did.</p> <p>12:50 5 Q. But you don't know any of those reasons --</p> <p>12:50 6 A. I do not.</p> <p>12:50 7 Q. -- today?</p> <p>12:50 8 A. I do not.</p> <p>12:50 9 Q. Okay. And I completely understand that, and</p> <p>10 I don't want to sit here and, you know, go chapter</p> <p>11 and verse through this. But I wanted to make sure --</p> <p>12 because I thought I heard earlier that you had an</p> <p>13 opinion that was potentially favorable with regard to</p> <p>14 the Petrohawk leases. And -- and -- and that is not</p> <p>15 the case, is it?</p> <p>12:50 16 A. Well, like I said, I had an opinion on what</p> <p>17 all she had tried to do on behalf of South Texas</p> <p>18 Syndicate. As far as the specific leases, I've never</p> <p>19 read one of them. I've -- You know, I don't know</p> <p>20 enough about them to -- to say if it's a good lease</p> <p>21 or a bad lease. But I do know that her efforts on</p> <p>22 behalf of the South Texas Syndicate were above and</p> <p>23 beyond, in my opinion, on trying to create activity,</p> <p>24 and so that -- that's the basis of my opinion.</p> <p>12:51 25 Q. Okay. And you're also -- you're not here to</p>

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<p>1 testify whether the lease extensions or amendments</p> <p>2 granted by Ms. Ormond or Mr. Tompkins that we</p> <p>3 discussed earlier are either good, bad, or</p> <p>4 indifferent, are you?</p> <p>12:51 5 A. I -- I'm not. I don't know anything about</p> <p>6 those. I -- I don't think it would be appropriate</p> <p>7 for me to comment or give opinion.</p> <p>12:51 8 Q. Now, there was some discussion about</p> <p>9 Ms. Ormond's effort to market the STS asset. And can</p> <p>10 you tell me what time frame you were talking about</p> <p>11 when you talk about her efforts to market the asset?</p> <p>12:51 12 A. I know in 2008 she was presenting it at</p> <p>13 NAPE, so I know that existed. It may go back even a</p> <p>14 full year.</p> <p>12:52 15 Q. What did --</p> <p>12:52 16 A. I would have ver -- I don't know that for a</p> <p>17 fact, but that would be my impression.</p> <p>12:52 18 Q. Would it surprise you to learn that</p> <p>19 Ms. Ormond never went to NAPE in order to</p> <p>20 specifically market Eagle Ford strata?</p> <p>12:52 21 A. That wouldn't surprise me. I think she was</p> <p>22 there to market -- If I recall, there were multiple</p> <p>23 formations that were potential, and possibly Eagle</p> <p>24 Ford was one of them. And I couldn't tell you the</p> <p>25 others, but I felt there was more than just one</p>	<p>1 a second. Do you recall when it was that the six or</p> <p>2 so senior mineral managers started talking, as</p> <p>3 opposed to the entire group, on those calls?</p> <p>12:54 4 A. No, I don't recall. It seemed like we grew</p> <p>5 as a department, and -- and it was just difficult</p> <p>6 to -- to have everybody contribute, and so that was a</p> <p>7 way to take less of their time so they could get back</p> <p>8 to work. But I don't recall when that -- when that</p> <p>9 happened.</p> <p>12:55 10 Q. Would the senior mineral managers discuss</p> <p>11 all of the goings-ons in their respective offices, as</p> <p>12 opposed to only talking about their particular</p> <p>13 assets?</p> <p>12:55 14 A. Like what?</p> <p>12:55 15 Q. Well, I -- You know, you've got six senior</p> <p>16 mineral managers, correct?</p> <p>12:55 17 A. Okay.</p> <p>12:55 18 Q. And then you've got, I guess, probably</p> <p>19 another 14 mineral managers.</p> <p>12:55 20 A. Right.</p> <p>12:55 21 Q. And when the six would speak, would they</p> <p>22 speak on behalf of the 14?</p> <p>12:55 23 A. Yes.</p> <p>12:55 24 Q. Okay. So they would basically talk about</p> <p>25 all of the accounts that JPMorgan's oil and gas group</p>
Page 153	Page 155
<p>1 formation, that there were several, from shallow, to</p> <p>2 medium, to deeper depths, and she was trying to get</p> <p>3 interest in -- in any and all of those.</p> <p>12:53 4 Q. And until I told you today, were you aware</p> <p>5 that she actually kept Petrohawk's ongoing leasing</p> <p>6 activity with regard to STS a secret?</p> <p>12:53 7 MR. WILLIAMS: Objection, form.</p> <p>12:53 8 A. Re -- What's your question again?</p> <p>12:53 9 Q. That she kept Petrohawk's leasing activity</p> <p>10 on the STS asset a secret until such time as the</p> <p>11 discovery well was announced in October of 2008.</p> <p>12:53 12 MR. WILLIAMS: Objection, form.</p> <p>12:53 13 A. And the question is: Would -- would that</p> <p>14 surprise me?</p> <p>12:53 15 Q. Yes.</p> <p>12:53 16 A. Or -- I'm -- I'm not aware that she did or</p> <p>17 she didn't, so.</p> <p>12:53 18 Q. Do you think it was prudent to keep</p> <p>19 Petrohawk's leasing activity a secret?</p> <p>12:53 20 MR. WILLIAMS: Objection, form.</p> <p>12:53 21 A. I'm going back to what -- what we were</p> <p>22 talking about earlier. I don't know all the -- all</p> <p>23 the facts on why that was done or not done.</p> <p>12:54 24 Q. I think we talked a bit about the mineral</p> <p>25 management calls, and I wanted to return to that for</p>	<p>1 was handling?</p> <p>12:55 2 A. Yes.</p> <p>12:55 3 Q. Okay.</p> <p>12:55 4 A. I think they would, you know, identify</p> <p>5 anything that -- that would be, you know, something</p> <p>6 they wanted to highlight. Again, there's a lot of</p> <p>7 activity. I believe there were anywhere from around</p> <p>8 approximately 800 leases a year granted, that many of</p> <p>9 those were -- were small, and so they weren't going</p> <p>10 to talk about every single lease that was done on</p> <p>11 that call.</p> <p>12:56 12 Q. Now, we talked a bit also about JPMorgan's</p> <p>13 standard lease form. And I think you testified</p> <p>14 earlier that there was no standard royalty rate</p> <p>15 included in that form, right?</p> <p>12:56 16 A. Yes.</p> <p>12:56 17 Q. And is it true that there are also no</p> <p>18 specific continuous drilling obligation clauses</p> <p>19 included in that form?</p> <p>12:56 20 A. I think there is -- I would have to go back</p> <p>21 and look at the form, but I think there was a -- a</p> <p>22 Pugh clause and a depth clause and a clause that as</p> <p>23 long as there was continuous drilling, that the lease</p> <p>24 was continued to be held in that lease. But I'd just</p> <p>25 have to go back and -- and look at it to confirm</p>

1 that. But I believe that there was a provision in it
 2 that provided at the end of the primary term, if they
 3 were drilling the well, they could continue to hold
 4 the lease.
 12:57 5 Q. And do you recall the frequency of the
 6 continuous drilling obligation or whether there was
 7 one in the JPMorgan standard lease form?
 12:57 8 A. I think there was one. I don't recall
 9 the -- whether it was a 120, 150, 180 days, what it
 10 was.
 12:57 11 Q. You don't recall?
 12:57 12 A. I do not.
 12:57 13 Q. And was there a standard primary term in
 14 JPMorgan's lease form?
 12:57 15 A. I think that the -- the primary term, the
 16 bonus, the royalty, those were all negotiable items.
 17 But to my knowledge, leases were not granted for more
 18 than three years.
 12:58 19 Q. Okay. There was also some discussion about
 20 the 2007 and 2008 financial crisis. Do you recall
 21 that?
 12:58 22 A. Yes.
 12:58 23 Q. Do you know whether oil companies actually
 24 pulled back during 2008?
 12:58 25 A. Not without going back and looking at it.

1 But my -- my general feel is that oil and gas
 2 continued to -- to do well.
 3 MR. CHRISTIAN: Okay. That's all I have.
 4 MR. WILLIAMS: Nothing further, sir. Thank
 5 you.
 6 MR. CHRISTIAN: Thanks so much for coming
 7 in.
 8 MS. ROBERTS: This concludes the deposition
 9 at 12:58 p.m.
 10 MR. WILLIAMS: I think we just want the
 11 e-Trans.
 12 MR. CHRISTIAN: We just get the e-Tran.
 13 THE REPORTER: How about the exhibits? Do
 14 you scan those?
 15 MR. CHRISTIAN: Yeah.
 16 MR. WILLIAMS: The scanned exhibits.
 17 THE REPORTER: Scanned? Okay.
 18 MR. CHRISTIAN: And could I get a rough,
 19 too?
 20 MR. WILLIAMS: I'd like a rough, too.
 21
 22
 23
 24
 25

1 (Consolidated Under)
 CAUSE NO. 2010-CI-10977
 2
 3 JOHN K. MEYER, ET AL., § IN THE DISTRICT COURT
 4 §
 Plaintiffs, §
 5 §
 -vs- §
 §
 6 JP MORGAN CHASE BANK, N.A., §
 INDIVIDUALLY/CORPORATELY § 225th JUDICIAL DISTRICT
 7 AND AS TRUSTEE OF THE SOUTH §
 TEXAS SYNDICATE TRUST and §
 8 GARY P. AYMES, §
 §
 9 Defendants. § BEXAR COUNTY, TEXAS
 10 REPORTER'S CERTIFICATION
 ORAL DEPOSITION OF DAVID HERFORD
 FEBRUARY 14, 2014
 11 I, Kimi George, Certified Shorthand Reporter in
 12 and for the State of Oklahoma hereby certify to the
 13 following:
 14 That the witness, DAVID HERFORD, was duly sworn
 15 by the officer and that the transcript of the oral
 16 deposition is a true record of the testimony given by
 17 the witness;
 18 That the deposition transcript was submitted on
 19 the ____ day of February, 2014, to the witness for
 examination, signature and return to Kimi George by
 20 the ____ day of ____, 2014;
 21 That the amount of time used by each party
 22 at the deposition is as follows:
 23 Mr. Michael S. Christian: 128 minutes used;
 24 Mr. David Jed Williams: 51 minutes used.
 25 That pursuant to the information given to the
 deposition officer at the time said testimony was
 taken, the following includes counsel for all parties
 of record:

1 MR. MICHAEL S. CHRISTIAN
 ZELLE HOFMANN VOELBEL & MASON LLP
 2 44 Montgomery Street, Suite 3400
 San Francisco, California 94104
 3 415/693-0700
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 4
 5 MR. DAVID JED WILLIAMS
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 6 7373 Broadway
 Suite 300
 7 San Antonio, Texas 78209
 210/271-1731
 8 jwilliams@hsfblaw.com
 9 I further certify that I am neither counsel for,
 related to, nor employed by any of the parties or
 10 attorneys in the action in which this proceeding was
 taken, and further that I am not financially or
 11 otherwise interested in the outcome of the action.
 12 Further certification requirements pursuant to
 Rule 203 of TRCP will be certified to after they have
 13 occurred.
 14 Certified to by me this ____ day of February,
 2014.
 15
 16
 17
 Kimi George, CSR, RMR
 Certificate No. 335
 Expiration Date: 12-31-14
 Atkinson-Baker, Inc.
 Firm Registration No. 32
 500 North Brand Boulevard
 Third Floor
 Glendale, CA 91203-1945
 Phone: 1-800-288-3376
 Expiration Date: 12-31-14



1 FURTHER CERTIFICATION UNDER RULE 203 TRCP
2 DAVID HERFORD
3 February 14, 2014
4 The original was/was not returned to the
deposition officer on _____, 2014;
5 If returned, the attached changes and signature
6 page contains any changes and the reasons therefor;
7 If returned, the original deposition was
8 delivered to Mr. Michael S. Christian, custodial
9 attorney;
10 That \$ _____ is the deposition officer's charges
11 to Plaintiff for preparing the original deposition
12 transcript and any copies of exhibits;
13 That the deposition was delivered in accordance
14 with Rule 203.3, and that a copy of this certificate
15 was served on all parties shown herein and filed with
16 the Clerk.
17 Certified to by me this _____ day of February,
18 2014.
19
20
21
22
23
24
25

Kimi George, CSR, RMR
Certificate No. 335
Expiration Date: 12-31-14
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Expiration Date: 12-31-14

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NO. 2006-01984

MOSH HOLDING, L.P., *et al.*

Plaintiff,

V.

PIONEER NATURAL RESOURCES
COMPANY, *et al.*

Defendants

§
§
§
§
§
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IN THE DISTRICT COURT OF

HARRIS COUNTY, TEXAS

334TH JUDICIAL DISTRICT

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**PLAINTIFF'S FOURTH AMENDED ORIGINAL PETITION, APPLICATION FOR
TEMPORARY RESTRAINING ORDER, TEMPORARY INJUNCTION, SHOW CAUSE
ORDER, AND PERMANENT INJUNCTION**

A. DISCOVERY CONTROL PLAN.

1. Plaintiff, MOSH Holding, L.P., Individually and for all unit holders as authorized by the Trust Fund Doctrine and JPMorgan, intends to conduct discovery under Level 3 of Texas Rule of Civil Procedure 190.

B. THE PARTIES.

2. Plaintiff, MOSH Holding, L.P. ("MOSH Holding"), Individually and for all unit holders as authorized by the Trust Fund Doctrine and JPMorgan, is a Texas limited partnership with its address at 9 Greenway Plaza, Suite 3040, Houston, Texas 77046.

3. Plaintiff-Intervenor Dagger Spine Hedgehog Corporation is a Texas corporation with its address at 5949 Sherry Lane, Suite 850, Dallas, Texas 75225.

4. Defendant Pioneer Natural Resources Company ("PNRC") is a Delaware corporation doing business in the State of Texas which has appeared and answered and may be served by serving

RECORDER'S MEMORANDUM
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its attorney in accordance with the Texas Rules of Civil Procedure. PNRC is sued individually and as general partner of Mesa Offshore Royalty Partnership, a Texas general partnership.

5. Defendant Pioneer Natural Resources USA, Inc. ("PNR") is a wholly owned subsidiary of PNRC. PNR is a Delaware corporation doing business in the State of Texas with its principal executive office located at 5205 N. O'Connor Blvd., Suite 900, Irving, Texas 75039. PNR has appeared and answered and may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure. PNR is sued individually and as general partner of Mesa Offshore Royalty Partnership, a Texas general partnership.

6. Defendant Woodside Energy (USA) Inc. ("Woodside") is a Delaware corporation doing business in the State of Texas. Woodside has appeared and answered any may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure.

7. Defendant JPMorgan Chase Bank, NA, individually and as Trustee and as a General Partner of the Mesa Offshore Trust ("JPMorgan"), is a Delaware corporation doing business in the State of Texas. JPMorgan is the Trustee of the Mesa Offshore Trust (the "Trust"), a grantor trust created under the laws of the State of Texas. The principal place of business of JPMorgan for administration of the Trust is 700 Lavaca, Austin, Texas 78701. JPMorgan has appeared and may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure.

8. Mesa Offshore Royalty Partnership ("Partnership") is a general partnership organized under the laws of Texas, with its principal place of business in Texas.

C. VENUE AND JURISDICTION.

9. Plaintiffs are beneficiaries of the Trust. They bring this action pursuant to the Texas Trust Code for determinations of fact affecting the administration, distribution, and duration of the Trust and for determination of questions arising in the administration and distribution of the Trust. Tex. Prop. Code § 115.001 (Vernon 1995 & Supp. 2004).

10. The Court has jurisdiction over this controversy, because a District Court has original and exclusive jurisdiction over all proceedings concerning trusts organized under the Texas Trust Code. Tex. Prop. Code § 115.001 (Vernon Supp. 2004).

11. Venue is proper in Harris County, Texas, because this matter was transferred from Travis County with the consent of all parties.

D. THE FACTS.

PNRC, PNR, THE TRUST, AND THE PARTNERSHIP.

12. On August 7, 1997, PNRC merged with Mesa Petroleum Co. ("Mesa"). As successor in interest to Mesa, PNRC or PNR owns and operates working interests (the "Subject Interests") in certain producing and nonproducing oil and gas leases located offshore Louisiana and Texas. PNRC and PNR are referred to herein alternatively or in the aggregate as "Pioneer."

13. In 1982 certain overriding royalty interests (the "Overriding Royalty Interest") were carved out of the Subject Interests and conveyed to the Mesa Offshore Royalty Partnership (the "Partnership"), a Texas general partnership, via a written document entitled Overriding Royalty Conveyance (the "Conveyance").

14. The Partnership has two general partners, JPMorgan, the Trustee of the Trust, which has a 99.99 per cent (99.99%) interest in the Partnership, and Pioneer, who is the managing general

partner and has the remaining 0.01 per cent (0.01%) interest. The Partnership was formed in 1982 for the purpose of receiving and holding title to the Overriding Royalty Interest, receiving the proceeds from the Overriding Royalty Interest, paying the liabilities and expenses of the Partnership, and disbursing remaining revenues to Pioneer (then Mesa) and the Trustee. The Partnership is governed by First Amended and Restated Articles of General Partnership dated as of December 1, 1982, as amended to date (the "Partnership Agreement"). The purposes of the Trust are to protect and conserve, for the benefit of the Certificate Holders, the Trust Estate; to receive the Trust's share of any distributions from the Partnership; and to pay, or provide for the payment of, any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts of cash received by the Trust pro rata to the Certificate Holders. The Trust is governed by the Royalty Trust Indenture, dated as of December 1, 1982, as amended to date (the "Trust Indenture"), and the Trust is required to file periodic reports with the Securities and Exchange Commission ("SEC"), under the Securities Exchange Act of 1934 ("Exchange Act"), including annual reports on Form 10-K ("10-K's") and Quarterly Reports on Form 10-Q ("10-Qs").

15. On December 28, 1982, pursuant to the plan described in the Proxy Statement which successfully solicited the approval of Mesa's shareholders, units of beneficial interest ("units") in the Trust were issued to Mesa shareholders, who received one unit for each share of Mesa common stock held. The units are traded on the OTC Bulletin Board under ticker symbol MOSH. At March 28, 2005, there were 71,980,216 units outstanding held by 12,005 unitholders of record. MOSH Holding currently owns 7,332,887 units which constitute approximately 10% of the outstanding units in the Trust.

TERMS OF THE CONVEYANCE OF THE OVERRIDING ROYALTY INTEREST.

a. Calculation of Payments to the Partnership.

16. Pursuant to the instrument conveying the Overriding Royalty Interest to the Partnership (the “Conveyance”), the Partnership is entitled to ninety per cent (90%) of the net proceeds, as defined, from the sale of Pioneer’s share of minerals covered by the Overriding Royalty Interest (the “Net Proceeds”). Net Proceeds are defined as (i) the amount received by Pioneer from the sale of its share of minerals covered by the Overriding Royalty Interest (the “Gross Proceeds”) less (ii) the costs incurred by Pioneer in operating the Subject Interests, including capital costs (the “Costs”), and the Monthly Abandonment Accrual, as defined.

17. If the Costs plus the Monthly Abandonment Accrual exceed Gross Proceeds for any month, the excess plus interest will be deducted from future Gross Proceeds prior to making any further payments to the Partnership.

18. The Monthly Abandonment Accrual is a sum withheld by Pioneer each month to provide for the payment of future abandonment costs related to the Subject Interests. It is calculated pursuant to a formula set forth in the Conveyance. It is a function of, among other things, Pioneer’s estimate of abandonment costs; prior Monthly Abandonment Accruals; Gross Proceeds for the given month; and estimated future Gross Proceeds based on the latest available reserve engineering report prepared using applicable SEC guidelines. As of the date of this petition, abandonment costs for the Subject Interests have, according to Pioneer, exceeded the Monthly Abandonment Accruals by approximately \$1.4 million.

19. At the time of complete abandonment of all the Subject Interests, the excess, if any, of the total Monthly Abandonment Accruals over the actual abandonment costs incurred is to be included in Gross Proceeds.

b. Pioneer's Duties To Operate the Subject Interests,

20. Pursuant to the Conveyance, Pioneer is required to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. Pioneer has the right to abandon any well or lease if, in its opinion, such well or lease ceases to produce or is not capable of producing oil, gas, or other minerals in commercial quantities. Pioneer is required to market the production on terms it deems to be the best reasonably obtainable in the circumstances.

21. Pioneer may, but is not required to, develop the Subject Interests. If Pioneer does develop the Subject Interests, it must front the Costs of such development, which Costs it is entitled to recoup prior to paying any additional Net Proceeds to the Partnership. Once those Costs have been recouped, however, the Partnership is entitled to receive ninety per cent (90%) of the Net Proceeds from any remaining production.

22. Pioneer may, in its discretion, enter into farmout agreements with Non-Affiliates (as defined) to transfer all or any undivided or segregated part of the Subject Interests for the sole consideration that the transferee will explore or develop the Subject Interests that are, or are to be, transferred pursuant to such agreement.

23. The Conveyance defines an Affiliate as any person controlling, controlled by, or under common control with another person. Control means the possession, directly or indirectly, of

the power to direct or cause the direction of management and policies of another, whether through the ownership of voting securities, by contract or otherwise.

24. By entering into such a Farmout Agreement with a Non-Affiliate, Pioneer has the right and the option, but not the obligation, to assign any portion of the Subject Interests which Pioneer has made subject to such Farmout Agreement, free and clear of the Overriding Royalty Interest. All other assignments of the Subject Interests are required to be made subject to the Overriding Royalty Interest.

EVENTS THAT WOULD REQUIRE TERMINATION OF THE TRUST.

25. The Trust Indenture provides that the Trustee will be obligated to sell the assets of the Trust if the total amount of cash per year received by the Trust falls below certain levels for each of three consecutive years. More specifically, the Trustee must sell the Trust's interest in the Partnership or cause the Partnership to sell the Overriding Royalty Interest when the total amount of cash received per year by the Trust for each of three consecutive years is less than ten times the total amount payable to the Trustee as compensation on average for each year during such three-year period (the "Termination Threshold").

WRONGFUL CONDUCT OF PIONEER AND WOODSIDE.

26. Beginning in 1997, when it seized control of Mesa, Pioneer has engaged in, and continues to engage in, a systematic plan to conceal the value of certain of the Subject Interests, to terminate the Trust prematurely, and to capture profits that rightfully belong to the Trust for itself with respect to Brazos Block A-39 and for Woodside, its co-conspirator.

27. On January 20, 2003, PNR and Woodside contemporaneously entered into an agreement which was artificially divided into two or more documents, one of which was entitled

"Farmout Agreement" (the "Farmout Agreement"). Pursuant to the Farmout Agreement, PNR allegedly "farmed out" to Woodside the right to drill on two leases burdened by the Overriding Royalty Interest, one lease (the "Samoa Prospect") which covers the South Half of Brazos Area Block, A-7 and a second lease (the "Midway Prospect") which covers the South Half of Brazos Area Block A-39 ("Block A-39"). As is stated in the so-called Farmout Agreement, when the Overriding Royalty Interest was created, it only burdened 50% of the working interests in the Samoa Prospect and the Midway Prospect (collectively, the "Prospects"). That was because Mesa only owned a 50% working interest in each Prospect at the time it created the Overriding Royalty Interest. On a subsequent date, PNR acquired the other 50% interest in each of the Prospects. Consequently, at the time the alleged Farmout Agreement was entered into, PNR owned an undivided 100% of the working interests in each Prospect, subject to the Overriding Royalty Interest of 45% of the Net Proceeds.

28. During 2003, the last of the producing wells on Block A-39 was sputtering. It would die completely in early 2004. Pioneer knew that once the well died, the Minerals Management Service ("MMS"), the agency acting for the United States, lessor of the underlying properties in Block A-39, would issue a notice to PNR stating that it would terminate the lease for Block A-39 unless further drilling was commenced thereon within 180 days of cessation of production. Consequently, PNR was required to drill a well on Block A-39 or lose the lease.

29. Pursuant to the alleged Farmout Agreement, Woodside allegedly acquired a "farm-in" of fifty percent (50%) of PNR's working interest in the two Prospects that were burdened by the Overriding Royalty Interest. Prior to entering into the alleged Farmout Agreement, PNR would have been responsible for financing 100% of the costs of drilling any well on the Prospects. Pioneer's

working interest was also burdened by a $1/6^{\text{th}}$ or 16.6666% non-cost bearing royalty interest in favor of the United States. Consequently, PNR would have been entitled to keep 45.832% of the proceeds from a well before the “farmout.” Pursuant to the alleged Farmout Agreement, upon the completion of a test well on either Prospect, Woodside would earn a 50% working interest in such Prospect (the “Earned Interest”). The Earned Interest was subject to a 10% non-cost-bearing overriding royalty interest, increasing to a 12.5% non-cost-bearing overriding royalty interest upon Payout (as defined in the alleged Farmout Agreement) in favor of the Partnership. Consequently, by entering into the alleged Farmout Agreement, PNR reduced its costs for drilling from 100% to 50% but only reduced its net revenue interest from 45.832% to 42.1667% before “equalization.” On the other hand, the Partnership’s, and therefore the Trust’s, net revenue interest in the Prospects was reduced from 37.4994% (90% of 41.6667%) to 4.5%.

30. The sole reason for entering into the alleged Farmout Agreement was to enrich PNR and Woodside at the expense of the Trust.

31. On January 20, 2003, contemporaneously with the alleged Farmout Agreement, PNR and Woodside also entered into an Offshore Operating Agreement (the “Operating Agreement”) governing the operations on the Midway Prospect.

32. Contemporaneously with the execution of the alleged Farmout Agreement and the Operating Agreement, PNR and Woodside executed an Exploration Agreement (the “Exploration Agreement”) (together with the Farmout Agreement and the Operating Agreement, the “Woodside Agreements”). The Exploration Agreement specifically references the execution and delivery of the Farmout Agreement and the Operating Agreement and provides that in the event of any conflict between the Farmout Agreement and the Exploration Agreement, or between the Operating

Agreement and the Exploration Agreement, the terms of the Exploration Agreement shall control and govern the point in conflict. Section 6(b) of the Exploration Agreement provides in part:

Pioneer owns an undivided fifty percent (50%) working interest in the two (2) Farmout Leases described in this Section 6 [the Midway Prospect and the Samoa Prospect], which are unburdened except for the lessor's reserved royalty, and the undivided fifty percent (50%) working interest to be earned by Woodside under the terms of the Farmout Agreement described herein which is burdened by an overriding royalty interest in favor of Mesa Offshore Royalty Partnership. Pioneer and Woodside hereby agree to pool their respective working and net revenue interest under the Offshore Operating Agreement governing each of the Farmout Leases so as to jointly share the benefits of Pioneer's unburdened fifty percent (50%) working interest in the Farmout Leases described in this Section 6(b) and the burdened fifty percent (50%) working interest to be earned by Woodside under the terms of the Farmout Agreements thereby equalizing the net revenue interests between the Parties. As a result of this contractual pooling and equalization, the working interest and net revenue interest of the Parties for the Farmout Leases will be as follows:

33. Under the alleged Farmout Agreement considered alone, PNR had a net revenue interest in the Unburdened Interest in the Midway Prospect of 42.166% (before Payout) and Woodside had a net revenue interest in the Midway Prospect of 36.6667%. However, as part of a unitary transaction, the Woodside Agreements combine to reduce PNR's net revenue interest in the Midway Prospect from 42.166% to 39.4165% and to increase Woodside's net revenue interest in the Midway prospect from 36.6667% to 39.4165%. Consequently, the effect of the combined provisions of the Woodside Agreements is that PNR farmed out 50% of these Subject Interests to itself and 50% to Woodside.

34. When the Woodside Agreements are read together, as required by law, the conveyance to Woodside utterly fails to meet the definition of "Farmout" contained in the Conveyance. Because PNR assigned half of the Subject Interest to itself, the alleged Farmout Agreement should be held to be ineffective at transferring any interest to either PNR or Woodside

free and clear of the Overriding Royalty Interest. Therefore, the Partnership, and consequently the Trust, should continue to own 90% of the Net Proceeds attributable to PNR's 83.3334% net revenue interest in the Subject Interests (a 37.4994% net revenue interest in the Midway Prospect). In addition, the Woodside Agreements provide \$15 million in cash consideration and involved a commitment to participate in eight exploratory wells. The alleged "Farmout" was not a farmout as defined by the Conveyance.

35. Pioneer and Woodside were aware the Farmout Agreement was a sham as industry practice would show that the transaction between Woodside and Pioneer was not a farmout. The Manual of Oil & Gas Terms, by Williams and Meyers, contains the oil & gas industry's definition of a farmout agreement. It defines a farmout agreement as follows:

A very common form of agreement between operators, whereby a lease owner not desirous of drilling at the time agrees to assign the lease, or some portion of it (in common or in severalty) to another operator who is desirous of drilling the tract. The assignor in such a deal may or may not retain an overriding royalty or production payment. The primary characteristic of the farm out is the obligation of the assignee to drill one or more wells on the assigned acreage as a prerequisite to completion of the transfer to him.

36. Therefore, not only did the Woodside Agreements not conform to the definition of Farmout used in the Conveyance, but also those agreements did not conform to the common industry understanding of farmout. The industry understanding of a farmout is that the lease owner, for whatever reason, does not want to drill on the lease and therefore "farms out" that right to a third party. Manifestly, PNR very much wanted to drill wells on the Prospects and needed to drill on the Midway Prospect or lose its lease. PNR just did not want to pay the Overriding Royalty Interest. Pioneer's goal in bringing in Woodside was to attempt to fraudulently evade the prohibition in the

Conveyance against a Farmout to itself by the device of a sham "Farmout Agreement" with Woodside.

37. The Operating Agreement designated PNR as the operator of the Prospects and therefore PNR was in charge of the drilling operations on the Prospects. In order for the alleged Farmout to comply with the terms of the Conveyance, the only consideration for the Farmout must be "the agreement by the farmee to explore or develop the Subject Interests which are, or are to be, transferred to the farmee." Woodside, the "farmee" under the alleged Farmout Agreement, did not explore or develop the Subject Interests, PNR did. In addition, Woodside paid PNR cash for an interest in the Prospects and agreed to drill six additional wells. The only reason it was styled as a "farmout" was to perpetrate a fraud and a sham at the expense of the Trust.

(B) PIONEER HAS WRONGFULLY DELAYED PRODUCING MIDWAY PROSPECT.

38. Pursuant to Section 6.01 of the Conveyance, PNR is required to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. PNR's operation of the Midway Prospect following the drilling of the well thereon violated PNR's obligation under Section 6.01 of the Conveyance. PNR's conduct was designed to benefit itself at the expense of the Trust.

39. The exploratory well on the Samoa Prospect was drilled first. It was determined to be a dry hole and was, accordingly, plugged and abandoned.

40. Drilling of the Midway Prospect was commenced in September 2003. In a February 2, 2004, news release, Pioneer stated that the Midway Prospect was drilled to a total measured depth of 20,496 feet; that the well encountered 30 feet of net gas pay; and that the well also encountered three

other intervals with an additional 60 feet of gas bearing sands. Although the equipment necessary to do a flow test on the well was on site, PNR either did not do or did not report such a test.

41. Nor did PNR act as a prudent operator to get the well producing within a reasonable amount of time. Rather, in its February 2, 2004, news release, Pioneer announced that the well would be temporarily abandoned following installation of a production liner. Pioneer further stated that the well was expected to be tied back to the existing production platform on Block A-39 with first production anticipated during the second half of 2004. Notwithstanding this discovery, the Trust's Form 10-K for the year ended December 31, 2003 filed with the SEC approximately two months following the February 2, 2004, press release (the "2003 10-K") specifically stated that "even if the discovery is deemed to be commercially viable and is developed, it is currently expected that any Royalty income generated from this prospect will not be received in time to eliminate the deficit balance and to increase Royalty income above the Threshold Amount before the Indenture requires termination of the Trust." The 2004 10-K states that first production from this well is now expected to commence in the fourth quarter of 2005, almost two years after Pioneer's announcement of the successful drilling of such well.

42. On or about October 25, 2004, PNR filed a permit application for a pipeline to transport bulk gas from the Midway Prospect. The application was for a small diameter pipeline 16,300 feet long. The pipeline could and should have been constructed to tie back to PNR's existing platform on Block A-39, which is connected to an existing major pipeline and is only 7,000 feet from the Midway Prospect. In PNR's application, however, the proposed route of the pipeline is through Brazos Area Block A-51 to Brazos Area Block A-52. In filing this application, PNR clearly was signaling that the Block A-39 would have very modest production.

43. The 2004 10-K of PNR reports that a production test on the Midway Prospect was finally conducted during the first quarter of 2005, a full year after completion of such well.

44. Upon an initial review of the logs from the Midway Prospect, a prudent operator of the Block A-39 would have immediately tested the Midway Prospect in February 2004, placed it on production by May 2004 at the latest, and promptly commenced the drilling of additional wells on such block beginning in January 2005. PNR did not drill such additional wells because the Partnership, and, therefore, the Trust, would have been entitled to the Net Proceeds from such wells. PNR and Woodside apparently intended to sit on the results of the Midway Prospect until the Trust was terminated, and the Overriding Royalty Interest was sold.

WRONGFUL CONDUCT OF JP MORGAN, INDIVIDUALLY, AS TRUSTEE, AND AS A GENERAL

PARTNER

45. At all times JP Morgan, individually and as Trustee, was and remains a General Partner of the Partnership. The actions of Pioneer, also a general partner in the Partnership, are effectively therefore the actions of the Trustee. Because Pioneer transferred trust assets to itself as alleged above, JP Morgan is a participant in and responsible for this action both individually, as trustee, and as a General Partner. Paragraph 5.01 of the Partnership Agreement provides that "When requested by the Trustee, the Managing General Partner shall take appropriate action to enforce the terms of the Conveyance." JP Morgan, as Trustee, could oppose the actions of Pioneer but has not. Transfer of trust assets to a partner, associate or affiliate of the Trustee JP Morgan is self-dealing and a breach of the duty of loyalty and care. Such action is specifically prohibited by Section 113.053 of the Texas Trust Code and this liability cannot be removed or limited by any trust instrument.

46. Since at least December 16, 2003, JP Morgan has been the lead bank for Pioneer on a credit facility in excess of \$1 billion. This credit facility was renewed on September 30, 2005, under an Amended and Restated 5-Year Revolving Credit Agreement (the "New Credit Facility"). Under these credit facilities, JP Morgan is the "Administrative Agent." It receives millions of dollars in fees from Pioneer. At the time, JP Morgan had been sued by MOSH Holding within this action and had been requested to take action against Pioneer prior to such renewal. JP Morgan, however, entered into releases and indemnities with Pioneer in derogation of its duties as Trustee. This very lawsuit was listed as a possible Material Adverse Event under the credit facility. JP Morgan thus did due diligence in connection with this lawsuit and had a vested interest in insuring this lawsuit did not go forward so as to increase the likelihood of having its loans repaid. Furthermore, in connection with the Trust, which is required to file periodic reports under the Exchange Act, JP Morgan has relied upon Pioneer to provide it information to make its securities filings with the SEC. JP Morgan, however, never disclosed that it is the lead lender to Pioneer and receives millions of dollars in payments from Pioneer. Such failure to disclose is an omission to state a material fact which would be necessary in order to make the securities filings accurate. In numerous other ways JP Morgan has not administered the Trust with loyalty and with due care, and is thus liable both individually, as trustee, and as a General Partner. For example, it did not required independent reserve engineers to evaluate the reserves associated with the Overriding Royalty Interest and did not obtain the Farmout Agreement which is the subject of this lawsuit until the suit itself was initiated. By reason of all of these activities JP Morgan has engaged in self-dealing and breach of fiduciary duty. Furthermore, such conduct is associated with fraud, acts or omissions in bad faith and gross negligence.

47. Since the filing of this Lawsuit, JPMorgan has known of the pendency of this action and its loan relationship with Pioneer. Its interests as a Lender conflict with its interests as a Trustee in numerous ways. The New Credit Facility has releases and indemnities and other limitations which may be asserted to limit its ability to pursue claims on behalf of the Trust. As a possible Material Adverse Event, successful prosecution of the Lawsuit by the Trustee will impact JPMorgan's ability to be paid on its loan. On information and belief, Pioneer has actively manipulated accounting and the production of Block A-39 to suppress income and allegedly cause early termination of the Trust. As its lender, JPMorgan has agreed and conspired with Pioneer to cause early termination. Additionally, JPMorgan now admits MOSH Holding's claims regarding the farmout merit adjudication, but JPMorgan sought to resign since its conflict (always known to JPMorgan) has been raised by Plaintiff. Having done nothing to pursue the Trust claims in the termination period, JPMorgan has additionally harmed the Trust during the pendency of this Lawsuit by its refusal to act.

No trust company will voluntarily agree to be successor trustee given this litigation. JPMorgan's acknowledgment that it should resign demonstrates the inherent prejudice to the Trust if JPMorgan continues to act for the Trust. In March 2009, on the eve of trial, JPMorgan, acting in concert with Pioneer and Woodside, attempted to sell the Trust estate in a non-public auction in the midst of the most severe economic downturn since the 1930's and at a time of historically low oil and gas prices.

As expected by Plaintiffs there were no bidders. Thus, the Trust has been irreparably damaged in terms of value and marketability in a reasonable commercial setting. It is manifest that JPMorgan cannot act for the Trust with the independence, loyalty, and due care to which the Trust is entitled in this critical period.

DAMAGES TO THE TRUST CAUSED BY DEFENDANTS' WRONGFUL CONDUCT.

48. The above-described misconduct by the Defendants has damaged and continues to damage the Trust in several ways. First, it immediately deprives the Trust of cash to which it is entitled. Second, the reduced cash flow to the Trust has artificially created conditions requiring early termination of the Trust. Third, the proceeds to the Trust upon the sale of the Overriding Royalty Interest will be reduced by actions designed to create the appearance that the Overriding Royalty Interest is less valuable than Pioneer and JPMorgan knows it to be. The Trust has been reduced in value, and profits have been lost which would have been earned had the properties been properly developed before liquidation. Finally, the Trust has incurred the fees of JP Morgan and JP Morgan has made profits which properly belong to the Trust.

E. THE CLAIMS.

Construction of the Trust.

49. This proceeding is filed under §115.001 of the Texas Trust Act and §37.005 of the Texas Uniform Declaratory Judgments Act. Among other remedies sought, without limitation, the court is requested to make the following constructions and declarations:

- (a) Construe the Trust Indenture to determine that the Trust is not terminated because there has or should have been production which would have generated revenues to extend the life of the Trust as set forth above;
- (b) Determine the responsibilities and duties of the Trustee to pursue the claims of the Trust set forth in paragraphs 50 to 63

below or to allow Plaintiff to pursue such claims on behalf of the Trust;

- (c) Make all determinations of fact affecting the administration, distribution or duration of the Trust including, without limitation, determination that Defendants have acted to conceal production and otherwise failed to act as prudent operators which would have extended the term of the Trust and produced revenue to the Trust;
- (d) Require an accounting of all plugging and abandonment expenses which were improperly applied to reduce the income of the Trust, and set aside any alleged termination of the Trust after the proper application of plugging and abandonment expenses, and further require independent reserve reports;
- (e) Set aside any farmouts by Pioneer in which there have been conveyances to an affiliate of Pioneer in violation of the Conveyance and as a self-dealing transaction;
- (f) Order full accounting of JP Morgan and Pioneer's administration of any Trust properties; and
- (g) Construe all agreements among the Trust, Pioneer and Woodside or any other person which relate directly or

indirectly to the duration of the Trust or to any income to which the Trust is entitled.

50. In addition to the foregoing declarations and construction, MOSH Holding seeks all equitable, supplemental, and ancillary remedies necessary to provide relief resulting from these declarations and constructions including damages, injunctive relief, and such other relief to which it may be entitled. Plaintiff also seeks its attorney's fees, costs, prejudgment and postjudgment interest to the extent allowed by law.

CLAIMS AGAINST JP MORGAN, INDIVIDUALLY, AS TRUSTEE AND AS A GENERAL PARTNER

BREACH OF FIDUCIARY DUTY

51. JP Morgan, individually, as Trustee, and as a General Partner, has breached its fiduciary duties to Plaintiff and to all beneficiaries of the Trust. Plaintiff sues for this misconduct and inter alia requests the following relief:

- (1) Removal of JP Morgan as Trustee because the Trustee materially violated the terms of the Trust which resulted in material loss to the Trust and also for cause as provided in Section 113.082 of the Texas Trust Code.
- (2) Damages for depreciation in the value of the Trust and damages for any loss of profit to the Trust.
- (3) All compensations and profits of the Trustee including, without limitation, all compensation paid as Administrative Agent or as a lender under the credit facilities between JP Morgan and Pioneer.
- (4) Reimbursement of all legal fees paid by the Trustee to JPMorgan's lawyers with respect to this litigation.

As the breaches of fiduciary duties have been committed fraudulently, in bad faith, or with gross negligence, MOSH Holding and the Beneficiaries of the Trust are entitled to actual damages along with punitive and exemplary damages.

CLAIMS AGAINST PIONEER AND WOODSIDE

Breach of Fiduciary Duty

52. As the managing general partner of the Partnership, Pioneer owes its partner, the Trustee of the Trust, the partnership duty recognized in the law. Additionally, Pioneer has power to manage the Trust and is presumptively a fiduciary required to act in good faith with regard to the purposes of the Trust and the interests of the beneficiaries of the Trust. Tex. Prop. Code § 114.003(c). By all the actions set out above, Pioneer has breached its fiduciary duty to the Trust to make full disclosure of all matters affecting the Partnership, to account for all Partnership profits and property, and to avoid self-dealing. As a result of Pioneer's wrongful conduct, the Trust has suffered, and continues to suffer, damages, including the imminent threat of premature termination. As a beneficiary of the Trust, MOSH Holding has suffered, and continues to suffer, damages as a result of Pioneer's wrongful acts, including the imminent threat of premature termination of the Trust.

Aiding and Abetting Breach of Fiduciary Duty.

53. Defendant Pioneer has caused JP Morgan to breach its fiduciary duty and is jointly and severally liable for all breaches of JP Morgan.

54. Defendant Woodside knowingly has participated in Pioneer's breach of its fiduciary duties to the Partnership; to its partner, the Trustee of the Trust; and to the Trust and its beneficiaries. Woodside is, therefore, jointly liable with Pioneer for damages to the Trust and to the Trust's beneficiaries resulting from Pioneer's breach of fiduciary duty.

Misapplication of Fiduciary Property.

55. Pioneer has misapplied fiduciary property. TEX. PEN. CODE ANN. § 32.45 (Vernon Supp. 2004). Specifically, Pioneer has intentionally, knowingly, or recklessly dealt with the Overriding Royalty Interest and with the Net Proceeds due to the Trust contrary to the terms of the Conveyance and in a manner that involves substantial risk of loss to the Trust. Thus, there are no applicable statutory caps to punitive damages.

Conspiracy To Misapply Fiduciary Property.

56. Defendant Woodside conspired with Pioneer to misapply fiduciary property. TEX. PEN. CODE ANN. § 15.02 (Vernon 2003). Specifically, Woodside agreed with Pioneer that Pioneer would farmout Brazos A-39 to itself in violation of the Conveyance; that Pioneer would file a pipeline permit application to mislead the Trust regarding the potential recovery from the Brazos A-39 Block; and that Pioneer would wrongfully delay production from the Midway Well and misrepresent the Midway Well condemned the prospectivity of Brazos Block A-39. Pioneer has engaged in this, and other, wrongful conduct to deny the Trust proceeds to which it is entitled and to cause the premature termination of the Trust. Thus, there are no applicable statutory caps to punitive damages.

Common Law Fraud.

57. Pioneer made material misrepresentations to the Trust regarding Net Proceeds due the Trust pursuant to the Conveyance. Pioneer further failed to disclose material information about the Subject Interests, particularly the Midway Well, which they had a duty to disclose to the Trust.

58. Pioneer knowingly made these misrepresentations and omissions with the intent that the Trust rely on them.

59. The Trust did so rely, and, as a result, the Trust and its beneficiaries have suffered damages.

60. Pioneer willfully and intentionally defrauded the Trust and its beneficiaries and is, therefore, liable for exemplary damages.

Gross Negligence.

61. Alternatively, as set forth above, Pioneer has been grossly negligent in its operation of the Subject Interests by, *inter alia*, failing promptly to conduct a flow test on the Midway Well, failing to file a permit application for a pipeline of appropriate size and location, and failing to get production on line promptly for the Brazos A-39 Block, and failing to prudently develop the Trust properties. The Trust and its beneficiaries have suffered damages as a result of this gross negligence and are entitled to recover actual and punitive damages.

Breach of the Conveyance Agreement.

62. Alternatively, as set forth above, Pioneer has breached the Conveyance by farming out Brazos A-39 Block to itself in violation of the express terms of the Conveyance, by failing properly to account for Net Proceeds due the Partnership and, therefore, the Trust, and by failing to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. The Trust, and the beneficiaries of the Trust, have suffered damages as a result of Pioneer's breach of the Conveyance. The Trust and its beneficiaries are entitled to recover actual damages, attorney's fees, and costs.

CLAIMS AGAINST ALL DEFENDANTS

***Joint and Several Liability of All Defendants
for Aiding and Abetting Breaches of Fiduciary Duties***

As noted previously, Defendant JPMorgan breached its fiduciary duties to Plaintiff and to all beneficiaries of the Trust, and Defendants Pioneer and Woodside breached their fiduciary duties to the Trust and the beneficiaries thereof. All Defendants herein are thus jointly and severally liable for aiding and/or participating in these breaches of fiduciary duties; under such circumstances, all assisting and/or participating third parties become joint tortfeasors with the fiduciary and are jointly and severally liable under Texas law. *See Kinzbach Tool Co. v. Corbett-Wallace Corp.*, 138 Tex. 565, 160 S.W.2d 509 (1942). All Defendants thus are jointly and severally liable for aiding and abetting the Defendants' breaches of fiduciary duty. *Kinzbach*, 160 S.W.2d at 514 (a defendant's knowing participation in a breach of fiduciary duty gives rise to a viable cause of action, creating joint and several liability).

F. DAMAGES FROM PIONEER AND WOODSIDE.

62. Based on the foregoing, and other information reviewed by MOSH Holding, it appears that, pursuant to the terms of the Conveyance, the Trust would be entitled to millions of dollars in damages in Net Proceeds from production from the Midway Well in an amount to be proved at trial. By delaying production from this well and by engaging in other conduct that reduced the Net Proceeds due the Partnership and, therefore, the Trust, the Defendants have orchestrated a series of events that threaten the premature termination of the Trust. If the Trust is allowed so to terminate, it will suffer damages in an amount to be proved at trial.

63. Pioneer, moreover, has been grossly negligent in its operation of the Subject Interests. Pioneer has intentionally and willfully defrauded the Trust. The Trust, therefore, is entitled to punitive damages.

64. Defendants should forfeit all benefits received.

G. DEMAND FOR JURY.

65. MOSH Holding demands a jury trial and has tendered the appropriate fee.

**APPLICATION FOR TEMPORARY RESTRAINING ORDER, TEMPORARY
INJUNCTION, SHOW CAUSE ORDER, AND PERMANENT INJUNCTION**

66. MOSH Holding restates and incorporates the allegations set forth in paragraphs one through 64. Based upon these allegations, and the activities giving rise thereto, there is an immediate risk of irreparable harm to the Trust and to its beneficiaries, including MOSH Holding, that the Trust will be wrongfully terminated and closed out prematurely. As set forth above, knowing of its conflict of interest, JPMorgan acknowledged it should resign yet will continue to act as trustee this critical period to the harm of the Trust. Such harm is irreparable and for which there is no adequate remedy at law.

67. Accordingly, MOSH Holding requests that an injunction be issued: enjoining JPMorgan, individually, as Trustee, and as a General Partner, and the other Defendants from taking any action that would terminate the Trust or sell Trust assets (this is not an election of remedies at this time).

68. After trial on the merits, MOSH Holding request such permanent injunctive relief as is necessary to provide relief to the parties.

69. MOSH Holding further requests that a show cause order be issued for a hearing on the temporary restraining order and thereafter a hearing on a temporary injunction.

70. MOSH Holding further requests that after the hearing on the temporary injunction, the temporary injunction be entered and that after a trial of the case, a permanent injunction be entered as to these matters.

PRAYER.

71. WHEREFORE, PREMISES CONSIDERED, MOSH Holding, L.P. prays that the injunctive relief prayed for be granted; and that after a trial on the merits, judgment be entered against the Defendants for permanent injunction, actual damages not to exceed \$500 million, exemplary damages, attorneys' fees and costs, pre- and post-judgment interest in lawful amounts, and all other relief, legal and equitable to which MOSH Holding is entitled.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing instrument was forwarded to all known counsel of record in the manner required by the Rules, on this the 25th day of March, 2009.

VIA CMRRR and FACSIMILE

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Pro Se



John H. Kim



I, Chris Daniel, District Clerk of Harris County, Texas certify that this is a true and correct copy of the original record filed and or recorded in my office, electronically or hard copy, as it appears on this date.
Witness my official hand and seal of office this November 2, 2011

Certified Document Number: 41673976

Chris Daniel, DISTRICT CLERK
HARRIS COUNTY, TEXAS

In accordance with Texas Government Code 406.013 electronically transmitted authenticated documents are valid. If there is a question regarding the validity of this document and or seal please e-mail support@hcdistrictclerk.com

www.pearsoned.com

334th JUDICIAL DISTRICT

(2) Defendant Pioneer Natural Resources Company and Defendant Pioneer Natural Resources USA, Inc., in their individual capacities, its capacity as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance (collectively, "Pioneer").

(3) Defendant JPMorgan Chase Bank, N.A., in its individual capacity (referred to as "JPMorgan"), in its capacity of Trustee of the Trust (referred to as "Trustee"), and in its capacity as general partner of the Partnership; and

(4) Defendant Woodside Energy (USA) Inc.

The Settlement Agreement is attached to this Final Judgment as Exhibit A, and is adopted and incorporated into this Final Judgment. The Court approved the Settlement making Findings of Fact and Conclusions of law, which are attached to this Final Judgment as Exhibit B, and are adopted and incorporated into this Final Judgment.

Subsequently, Pioneer, JPMorgan and Woodside filed their joint motion for summary judgment and motion to dismiss the claims of Intervenor Keith Wiegand, Robert Miles, Gordan Stamper, Michael Brown, Benjamin J. Ginter. Intervenor Robert Miles nonsuited his intervention prior to argument on these motions. Having considered the motions, the responses, the applicable law, and the argument of counsel and *pro se* parties, the Court determines that the motions should be GRANTED.

The Court also heard the motion for sanctions filed by Gordan Stamper. That motion is DENIED.

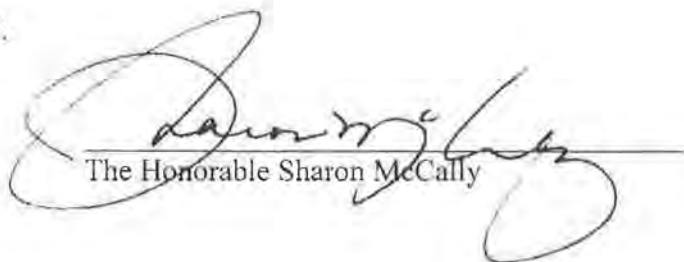
As the Court's ORDERS have resolved all parties and all claims, this is a FINAL JUDGMENT. Any other claims by any parties to this suit, to the extent not otherwise addressed by this FINAL JUDGMENT, are dismissed with prejudice.

Signed on September 14, 2009.

FILED
Loren Jackson
District Clerk

SEP 14 2009

Time _____
By _____
198375 Deputy


The Honorable Sharon McCally

Final Settlement Agreement

A. Background and Parties

1. Parties: The parties (hereinafter referred to as "Parties" and individually as a "Party") to this settlement agreement (hereinafter "Settlement Agreement" or "Agreement") are:

a. "Pioneer," which for purposes of this Agreement means and includes Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., in their individual capacities, in its capacity as managing general partner of the Mesa Offshore Royalty Partnership ("Partnership"), and as Subject Lessee and/or operator under the Overriding Royalty Conveyance ("Conveyance"). Pioneer includes (unless otherwise specified) Pioneer's affiliates, subsidiaries, and partners and also includes all of these entities' owners, employees, agents, directors, officers, and attorneys.

b. "Plaintiffs," which for purposes of this Agreement means and includes MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation in all of their capacities, as asserted in the Lawsuit or otherwise. Plaintiffs include (unless otherwise specified) Plaintiffs' affiliates, subsidiaries, and partners and also include all of these entities' owners, employees, agents, directors, officers, and attorneys.

c. "Trustee" or "JPMorgan," which for purposes of this Agreement means and includes JPMorgan Chase Bank, N.A., in its individual capacity, in its capacity as Trustee of the Mesa Offshore Trust ("Trust"), and in its capacity as general partner of the Partnership. JPMorgan and/or Trustee includes (unless otherwise specified) JPMorgan and/or Trustee's affiliates, subsidiaries, and partners and also includes all of JPMorgan and/or Trustee's owners, employees, agents, directors, officers, and attorneys.

d. "Woodside," which for purposes of this Agreement means and includes Woodside Energy (USA) Inc. Woodside includes (unless otherwise specified) Woodside's affiliates, subsidiaries, and partners and also includes all of Woodside's employees, agents, directors, officers, and attorneys.

e. The "Partnership," which for purposes of this Agreement means and includes the Mesa Offshore Royalty Partnership. Partnership includes the Partnership's affiliates, subsidiaries, and partners and also includes all of the Partnership's employees, agents, directors, officers, and attorneys.

f. The "Trust," which for purpose of this Agreement means and includes the Mesa Offshore Trust.

2. Defendants: "Defendants" refers to Pioneer, JPMorgan, and Woodside.

EXHIBIT A

A

Plaintiff's App. 00877

3. The "Lawsuit." Plaintiffs have pursued, on their own behalf and for the Trust and its Unit Holders, based upon, among other things, the Trust Fund Doctrine and as authorized by the Trustee, claims in the case styled *MOSH Holding, L.P. v. Pioneer Natural Resources Company; Pioneer Natural Resources USA, Inc.; Woodside Energy (USA) Inc.; and JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust*, Cause No. 2006-01984; pending in the 334th Judicial District Court of Harris County, Texas ("Lawsuit" or "Suit"). This settlement disposes of all claims that were raised or that could have been raised in this Lawsuit, and Plaintiffs hereby acknowledge and agree that all of the claims they have pursued (or could have pursued) in the Lawsuit, including claims known or unknown to the Plaintiffs, are settled as set forth below.

4. No Admission of Liability: This settlement is made for the purpose of avoiding the expense, uncertainty, and inconvenience of litigation and is the result of the compromise of disputed claims. This settlement shall not be offered or construed as an admission of liability by any Party, and all Parties expressly deny any liability to any Party to the Lawsuit.

5. Execution Date: The Execution Date of this Settlement Agreement is May 18, 2009.

B. Consideration

1. Sufficiency: The Parties agree that good and sufficient consideration has been exchanged pursuant to this Agreement.

2. Pioneer Settlement Sum and Settlement Interests: Pioneer will pay to the Trust the sum of \$13 million ("Pioneer Settlement Sum"). The timing for payment by Pioneer of the Pioneer Settlement Sum is set forth in paragraph D(2) below. Pioneer will also sell its interests in Brazos Block A-39 ("Pioneer Settlement Interests"), which were identified in Pioneer's tender letter of October 10, 2008 to Plaintiffs and JPMorgan, and Pioneer will contribute to the Trust all proceeds earned from this sale. The Pioneer Settlement Interests are identified in the two Sales Assignments attached as Exhibits A-1 and A-2 to this Agreement. The Pioneer Settlement Interests will be sold pursuant to the terms set forth in paragraph D(1) below.

3. JPMorgan Settlement Sum: JPMorgan will pay to the Trust the sum of \$5 million ("JPMorgan Settlement Sum"). The timing for payment by JPMorgan of the JPMorgan Settlement Sum is set forth in paragraph D(2) below. JPMorgan will also release all claims for and forgive repayment of the existing \$5 million loan provided by JPMorgan to the Trust; however, notwithstanding anything to the contrary provided for herein, JPMorgan may use the remaining balance of the credit facility and any other Trust income to pay Trust liabilities and expenses as permitted under the Royalty Trust Indenture ("Indenture") prior to receipt of the Settlement Proceeds (defined in paragraph D(2)) below) and the Final Distribution to the Unit Holders (defined in paragraph D(4) below).

4. Woodside Settlement Sum: Woodside will pay to the Trust the sum of \$1 million ("Woodside Settlement Sum"). The timing for payment by Woodside of the Woodside Settlement Sum is set forth in paragraph D(2) below.

5. Settlement Proceeds: The Woodside Settlement Sum, the JPMorgan Settlement Sum, and the Pioneer Settlement Sum will together be referred to as the "Settlement Proceeds."

6. Release of Pioneer by all Parties: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; the Trustee (on behalf of the Trust and its Unit Holders); the Trustee (in its capacity as general partner of the Partnership); JPMorgan (individually); and Woodside each agree to fully, finally and forever release, acquit, and discharge Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance), its predecessors, successors and assigns, from any and all claims, causes of action, demands and liabilities known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Pioneer or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of Pioneer or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

7. Release of JPMorgan a/k/a the Trustee: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and Woodside each agree to fully, finally and forever release, acquit, and discharge the Trustee, its predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of JPMorgan or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or

representation of JPMorgan or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

8. Release of Plaintiffs: JPMorgan (individually, as Trustee on behalf of the Trust and its Unit Holders and as general partner of the Partnership); Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and Woodside each agree to fully, finally and forever release, acquit, and discharge Plaintiffs, their predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Plaintiffs or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of Plaintiffs or any of the other Parties, subject to paragraph E(5) below. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

9. Release of Woodside: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and JPMorgan (individually, as general partner of the Partnership, and as Trustee on behalf of the Trust and its Unit Holders) each agree to fully, finally and forever release, acquit, and discharge Woodside, its predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Woodside or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation

of Woodside or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

10. Release of Trust and Partnership: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unitholders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); JPMorgan (individually, as general partner of the Partnership, and as Trustee on behalf of the Trust and its Unit Holders); and Woodside each agree to fully, finally and forever release, acquit, and discharge the Trust and the Partnership from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of the Trust and/or the Partnership or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of the Trust, the Partnership or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

11. Release by the Trust and Partnership: The Trust (through the Trustee and through Plaintiffs in their representative capacity, as alleged or otherwise, under the Trust Fund Doctrine and otherwise) and the Partnership (through the Trustee as general partner, Plaintiffs in their representative capacity, as alleged or otherwise, under the Trust Fund Doctrine and otherwise, and Pioneer as managing general partner) agree to fully, finally and forever release, acquit, and discharge Plaintiffs and Defendants, their predecessors, successors, and assigns from any and all claims, known or unknown, contingent or direct, that arise from or relate in any way to the claims, causes of action, demands and liabilities, known or unknown, that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Plaintiffs or Defendants. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing

parties are not relying upon any statement or representation of Plaintiffs or Defendants. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

12. Limitations on Releases: The claims released pursuant to this section are referred to hereafter as "Released Claims." The following is carved out from the scope of the Released Claims:

a. JPMorgan/Pioneer Commercial Lending: Any claims to enforce the rights and obligations owed between and amongst Pioneer, in its individual capacity, and JPMorgan, in its individual capacity, arising out of any commercial lending and/or non-Trust related relationships and contracts existing between them;

b. JPMorgan/Woodside Commercial Lending: Any claims to enforce the rights and obligations owed between and amongst Woodside, in its individual capacity, and JPMorgan, in its individual capacity, arising out of any commercial lending and/or non-Trust related relationships and contracts existing between them;

c. Pioneer/Woodside Ordinary Course: Any claims to enforce the day-to-day rights and obligations owed between and amongst Pioneer, in its individual capacity, and Woodside, arising out of the ordinary course, operating-based relationship set forth in the Offshore Operating Agreement during the time such agreement is effective between Pioneer and Woodside, and in particular does not include any obligations that may exist associated with Pioneer's assignment of its interests in the South Half of Brazos Block A-39 to occur as part of the sales process described below. However, this limitation does not in any way exclude from the scope of coverage of the releases provided between and amongst Pioneer and Woodside any claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit.

d. Enforcement Rights: Any claims to enforce the rights and obligations set forth pursuant to the Final Settlement Agreement between the Parties or the terms of the Final Agreed Judgment.

C. Conditions Precedent

1. Court Approval of the Terms of the Settlement Agreement: The consideration by the Parties set forth in Part B (Consideration) is subject to and contingent upon the approval by the Court of the Settlement Agreement. The Settlement Agreement will be presented to the Court for consideration and approval and a settlement

hearing will be scheduled so as to provide adequate time for the Trustee to notify the Unit Holders in accordance with the notice provisions set forth in the Indenture and the Texas Trust Code. The Parties will cooperate in submitting a Joint Motion for Approval and/or any other reasonably necessary filing to support the approval of the Settlement Agreement and entry of the Final Agreed Judgment. Should the Court within a reasonable time fail to approve this Settlement Agreement pursuant to the terms set forth in the Final Agreed Judgment (attached hereto as Exhibit B), subject to paragraph C(2), below, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable.

2. Entry by the Court of the Final Agreed Judgment: The consideration by the Parties set forth in Part B (Consideration) is also subject to and contingent upon entry by the Court of the Final Agreed Judgment in the form attached as Exhibit B to this Settlement Agreement, subject to the terms of this paragraph C(2). For purposes of this Settlement Agreement, the Final Agreed Judgment means and includes findings of fact and conclusions of law (that may be filed separately pursuant to Tex. R. Civ. P. 299(a) accompanying the Final Agreed Judgment, which are likewise attached hereto as Exhibit C). Should the Court materially modify the Final Agreed Judgment, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable as to that party. Material modifications would include (but would not be limited to) modifications altering the releases (or their scope); the termination procedures; the scope and enforceability of the Final Agreed Judgment; and/or if the Court fails to find that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders. The Parties further agree that they will cooperate in submitting any redrafted Agreed Final Judgment (including any finding of fact or conclusion of law) containing non-material modifications as may be requested by the Court.

3. Appeal of the Final Agreed Judgment: Should any party, person or entity appeal the Court's entry of the Final Agreed Judgment, the release of Settlement Proceeds held in escrow to the Trust, as described in (D)(2) below, will not occur until such time as the Final Agreed Judgment becomes final and non-appealable. Should the Final Agreed Judgment be reversed or modified, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable.

D. Liquidation and Funding Process

1. Sale of Partnership Assets and Pioneer Settlement Interests:

a. Timing of Sale: After the Settlement Agreement is approved and the Final Agreed Judgment entered, the Trustee will complete the liquidation and wind up process for the Trust and will instruct Pioneer to do the same with respect to the Partnership. As part of this liquidation process, the Pioneer Settlement Interests and the Partnership Assets will be offered for sale via a public auction. The sale will be conducted by Pioneer consistent with the terms contained herein as approved by the Court and the instructions of the Trustee. The sale shall be conducted promptly

following the approval of the Settlement Agreement and entry of the Agreed Final Judgment. In conducting the sale, Pioneer may utilize the services of the Oil & Gas Asset Clearinghouse or, as necessary, any other auction service selected by Pioneer. The effective date of the sale of the Pioneer Settlement Interests and the Partnership Interests will be 7:00 a.m. CT of the first day of the month in which the auction occurs subject to the procedures of the auction service.

b. Sale by Lot: The Partnership Assets and the Pioneer Settlement Interests will be offered in two lots ("Sales Lots" or "Lots") as follows:

(i) the "West Delta Lot" comprised of the Partnership's West Delta 61 overriding royalty interest together with any other interests of the Partnership in West Delta Block 61. The interests comprising the West Delta Lot are described in the West Delta Lot Assignment, which together with the ancillary sales documentation is attached hereto as Exhibit A-1;

(ii) the "Brazos A-39 Lot" comprised of (a) Pioneer's record title and operating rights in and to the Brazos A-39 lease, (b) the \$1.6 million dedicated plugging and abandonment escrow fund earmarked for the Brazos A-39 lease, which will remain escrowed until abandonment of the lease is complete (the Abandonment Agreement and Abandonment Escrow Agreement are attached hereto as Exhibits D and E, respectively), and (c) certain interests that burden Pioneer's record title and/or operating rights including Pioneer's and the Partnership's overriding royalty interest in the Midway and the Nimitz wells created under the Pioneer-Woodside 2003 farmout and the Pioneer-Hydro Gulf of Mexico 2006 farmout and the royalty interest under the Overriding Royalty Conveyance as to the areas not covered by the Pioneer-Woodside farmout. The Brazos A-39 Lot interest will be sold subject to the operating rights in and to the south half of the Brazos A-39 lease assigned to Woodside in that Partial Assignment of Operating rights made effective January, 2003. The interests comprising the Brazos A-39 Lot are described in the Brazos A-39 Lot Assignment, which together with the ancillary sales documentation is attached hereto as Exhibit A-2.

c. Minimum Bid/Right of First Refusal Agreements: Plaintiffs have designated MOSH, LLC as a "Qualified Bidder" for the West Delta Lot and the Brazos A-39 Lot. The Qualified Bidder will have the right (but not the obligation) within five (5) business days following the entry of the Agreed Final Judgment by the Court to enter into a separate Right of First Refusal Agreement pertaining to the public auction of the Sales Lots as set forth below and in the Right of First Refusal Agreement attached hereto as Exhibit F. To constitute a "Qualified Bidder," so as to be able to enter into the Right of First Refusal Agreement within the time specified above, the person or entity identified by Plaintiffs must demonstrate to Pioneer that the person or entity meets the following requirements: (a) with respect to both Sales Lots, the Qualified Bidder must place in escrow pursuant to the terms of the Right of First Refusal Escrow Agreement (attached hereto as Exhibit G) \$375,000 ("Escrow Sums") for each Sales Lot (i.e., \$750,000 in the aggregate) within five (5) business days following the date the trial court enters an Agreed Final Judgment approving the terms of the Final Settlement; and (b) with respect

to the Brazos A-39 Lot, demonstrate its qualification with the Minerals Management Service of the US Department of the Interior ("MMS") to hold record title interest in and be a qualified and bonded operator for offshore interests pursuant to the regulations and requirements of the MMS. Should the Qualified Bidder exercise its right to enter into the Right of First Refusal Agreement, it will become obligated to provide a minimum bid on each lot of \$375,000 and in the event no higher bid is received, the Qualified Bidder will be obligated to purchase the Lot for the \$375,000 sum escrowed or the Lots for the \$750,000 sum escrowed. Should bid(s) be received that are higher than the \$375,000 sums escrowed by the Qualified Bidder, the Qualified Bidder will have the right (but not the obligation) to match the bids and purchase the Lot(s).

d. Completion of Sale: The Lot(s) will be sold to the highest bidder(s) subject to the exercise by the Qualified Bidder of its Right of First Refusal. Should the Qualified Bidder choose not to exercise its Right of First Refusal, then the Lot(s) will be sold to the highest bidder(s). In the event the Qualified Bidder exercises its Right of First Refusal, but then fails to close for any reason, Pioneer will offer the Lot(s) to the highest remaining bidder(s) and close the sale(s) should such bidder(s) agree to purchase the Lots at the price offered during the bidding process, and shall continue such offers to bidders in order to close a sale or sales for the highest available cash price. If such bidders are unwilling to purchase the Lot(s) at the prices they bid during the auction, or if this liquidation process does not result, for any reason, in a sale of both of the Lots, Pioneer is entitled (at its sole option and its sole discretion) to dispose of the Pioneer Settlement Interests in any manner it sees fit. In such event, Pioneer will have the absolute right, in its sole discretion, to cancel, extinguish, or otherwise dispose of all or part of such interest(s). For example, and not by way of limiting Pioneer's options, Pioneer may withdraw from its participation in and ownership in Brazos Block A-39 pursuant to the terms of the Offshore Operating Agreement governing Brazos Block A-39. It is further agreed and understood that if any of the Partnership's assets remain after the sales process for which no buyer can be found, Pioneer will have the absolute right, in its sole discretion, to cancel, extinguish, or otherwise dispose of all or part of such interest(s). Up until the time of any sale or other disposition of the Partnership's assets, Pioneer, as managing general partner of the Partnership, shall continue to operate the Partnership's assets and distribute in the normal course any net proceeds to the Trustee for the benefit of the Trust.

2. Payment of Sales Proceeds and Settlement Proceeds: Pioneer will tender the proceeds obtained from the sale of both Lots ("Sales Proceeds") to the Trustee promptly upon receipt by Pioneer. Upon payment of the Sales Proceeds to the Trustee, the Partnership will be deemed terminated, liquidated, and wound up in all respects. Within seven (7) business days after the sales auction is held, Defendants will tender the Settlement Proceeds to JPMorgan to be held in escrow at JPMorgan in interest bearing accounts. Once the Final Agreed Judgment becomes final and non-appealable, but not before, the Settlement Proceeds will be released to the Unit Holders by the Trustee for distribution in accordance with the terms set forth below in paragraph D(4). The combined sum of the Settlement Proceeds and Sales Proceeds, after they have been released to the Trustee for distribution, is referred to as the "Gross Resolution Proceeds."

Should the Final Agreed Judgment be reversed, the Settlement Proceeds (together with accrued interest) will be remitted by JPMorgan to Defendants.

3. Plaintiffs' Counsel's Attorney's Fees: Plaintiffs' counsel will seek recovery of attorney's fees of six million two hundred fifty thousand dollars (\$6,250,000.00) and expenses of approximately two million five hundred thousand dollars (\$2,500,000.00). The actual amount awarded will be subject to Court approval. Should the Court determine that a different amount should be awarded for attorney's fees and expenses to Plaintiffs' counsel, such a determination will not constitute grounds for voiding this Settlement Agreement. The fees and expenses will be paid by the Trustee out of the Gross Resolution Proceeds after (but not before) the Settlement Proceeds are released to the Trust in accordance with paragraph D(4) below. If the Settlement Proceeds are not released to the Trust from the JPMorgan escrow accounts referred to in D(2) above (for example if the Agreed Final Judgment is reversed on appeal), no attorney's fees or expenses will be paid to Plaintiffs' counsel under this Settlement Agreement.

4. Liquidation of Trust and Partnership: The Trustee will pay Plaintiffs' counsel's attorney's fees and expenses awarded by the Court pursuant to the terms of the Final Agreed Judgment out of the Gross Resolution Proceeds per the paragraph above. In addition, the Trustee will deduct the reasonable costs incurred subsequent to April 27, 2009 of effecting the sales of the Lots (including without limitation any commission or sales administrative charges) and other fees and expenses relating to the administration of the Trust for which the Trustee is entitled to pay or to receive payment under the Indenture, notwithstanding anything to the contrary provided herein. The remaining sum, which will include any other ordinary course proceeds received by the Trust ("Net Resolution Proceeds") will be distributed by check to the Unit Holders, as of the future Record Date as provided below and approved by the Court in the Agreed Final Judgment. This distribution, which shall take place promptly after, but in no event later than the 30th day following, the Record Date, is referred to as the "Final Distribution." Plaintiffs will share in the Final Distribution based solely upon their pro rata beneficial interest in the Trust as of the Record Date. The Record Date shall be twenty (20) days after the last of the following events to occur: (1) the payment of the Sales Proceeds to the Trustee, or (2) the day this Final Agreed Judgment becomes final and non-appealable, or (3) if appealed, and the appeal does not result in a reversal or modification, the day on which no further appeal or petition for review to a higher court can be taken. Once the Final Distribution has been made by the Trustee, the Trust will be deemed terminated, liquidated, and wound up in all respects. Should any Unit Holder's share of the Final Distribution be retained (for example, as a result of the failure of Unit Holders to accept and/or cash their distribution checks), the retained sums will *escheat* as provided for under Texas Law.

E. Miscellaneous Terms

1. Dispute Resolution: The Parties agree that if any dispute arises between the Parties under the Settlement Agreement prior to the date that the Trustee makes the Final Distribution, Grant Cook will serve as the sole arbitrator, and he will resolve any

such disputes in accordance with the arbitration procedures he believes (in his sole discretion) to be appropriate. Mr. Cook's decision will be final and binding; however, Mr. Cook is not empowered to alter any of the express terms of this Settlement Agreement. This provision, among others, will be included in the Court's Agreed Final Judgment. Should any dispute between the Parties arise after the Final Distribution is made by the Trustee, or should Mr. Cook be unable to act as an arbitrator for any dispute arising prior to the Final Distribution, such dispute(s) will be resolved by binding arbitration with a single arbitrator that must be an attorney admitted to practice law in Texas under the administration of the American Arbitration Association pursuant to its Commercial Arbitration Rules.

2. Construction of Agreement: The Parties agree that the terms of this Settlement Agreement were negotiated and reviewed by the Parties and their counsel and that all participated in the drafting. To that point, the terms of this Settlement Agreement are not to be construed against any of the drafters.

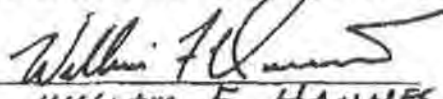
3. Reasonable Cooperation: The Parties will reasonably cooperate with each other with respect to the preparation of additional settlement documentation (and related materials) necessary to effectuate the completion of this settlement in accordance with the terms set forth in this Settlement Agreement.

4. Final Agreement: This Settlement Agreement supersedes any prior discussions and/or agreements (whether oral, written or other) including, without limitation, the Term Sheet. No modifications or amendments will be enforced unless such modifications are in writing signed by the Party to be charged.

5. No Reliance: The Parties disclaim any reliance upon any representations (or omissions) by any other party, with the exception of Plaintiffs' representation that neither MOSH Holding, L.P. and Dagger-Spine nor any of their owners, officers, or affiliates have any ownership, direct or indirect, or interest, direct or indirect, in MOSH, LLC. The Parties and their counsel have had the full and complete opportunity to litigate the issues (and/or related issues) and have agreed to the terms set forth in this Settlement Agreement. The Parties further disclaim any right to assert any claim for fraudulent inducement (or similar legal theory used to set aside releases) and agree that the releases provided herein are enforceable to the fullest extent permissible under Texas law.

6. Texas Law: The enforcement, application, and interpretation of this Settlement Agreement is subject to Texas Law without regard to any conflicts of law principles.

Executed by
Printed
Date


WILLIAM F. HANNES
5/18/2009

MOSH

On behalf of Pioneer Natural Resources Company and Pioneer Natural Resources Company USA, Inc., both individually, and as Managing General

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by
Printed
Date

Timothy M. Robertson
Timothy M. Robertson
May 18, 2009

On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by
Printed
Date

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by
Printed
Date

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by
Printed
Date

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____

Printed _____

Date _____

On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____

Printed _____

Date _____

Timothy M. Roberson
Timothy M. Roberson
May 18, 2009

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____

Printed _____

Date _____

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by _____

Printed _____

Date _____

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____
Printed _____
Date _____

On behalf of MOSII Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

T. J. Foley
T. J. FOLEY
MAY 18, 2009

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by _____
Printed _____
Date _____

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____
Printed _____
Date _____

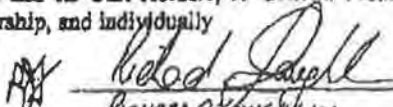
On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by  _____
Printed Richard O. Cunningham
Date 5/18/2009

On behalf of Woodside Energy (USA) Inc.

p23
ffc10
objdy

NO. 2006-01984

MOSH HOLDING, L.P., AND DAGGER-
SPINE HEDGEHOG CORPORATION,
Plaintiffs,

IN THE DISTRICT COURT

v.

PIONEER NATURAL RESOURCES
COMPANY; PIONEER NATURAL
RESOURCES USA, INC.; WOODSIDE
ENERGY (USA) INC.; AND
JPMORGAN CHASE BANK, N.A.
AS TRUSTEE OF THE
MESA OFFSHORE TRUST,
Defendants

HARRIS COUNTY, TEXAS

334th JUDICIAL DISTRICT

**FINDINGS OF FACT AND CONCLUSIONS OF LAW
WITH RESPECT TO FINAL SETTLEMENT AGREEMENT**

On June 18 and July 23, 2009, this Court held an evidentiary hearing ("the Settlement Approval Hearing") on the Joint Motion to Approve Final Settlement Agreement filed by the following parties:

- (1) Plaintiff MOSH Holding, L.P. and Plaintiff-Intervenor Dagger-Spine Hedgehog Corporation, both in their individual capacities and in their claimed capacities as representatives of the Mesa Offshore Trust ("the Trust") and/or the Certificate Holders ("the Unit Holders") of the Trust and/or the Mesa Offshore Royalty Partnership (the "Partnership"). MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation, in all of their capacities, will be referred to collectively as "the Plaintiffs."
- (2) Defendant Pioneer Natural Resources Company and Defendant Pioneer Natural Resources USA, Inc., in their individual capacities, its capacity as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance ("the Conveyance") (collectively, "Pioneer").
- (3) Defendant JPMorgan Chase Bank, N.A., in its individual capacity (referred to as "JPMorgan"), in its capacity of Trustee of the Trust ("the Trustee"), and in its capacity as general partner of the Partnership.
- (4) Defendant Woodside Energy (USA) Inc.

(98374\)

FILED
Loren Jackson
District Clerk
AUG 06 2009
Time: _____
By _____ Harris County, Texas
Deputy

B

These parties are referred to herein collectively as “the Settling Parties.” The Intervenor and other objectors (including, without limitation, Keith Wiegand, Robert Miles, Gordon Stamper, Michael Brown, Benjamin J. Ginter and the 2009 Unitholders) were afforded the opportunity to participate in the hearing.

The Settling Parties seek the Court’s approval of the Final Settlement Agreement. After considering the papers filed, the evidence offered at the hearing, the arguments of the parties, and the arguments of the objectors to the Settlement Agreement, the Court APPROVES the Settlement Agreement as entirely fair to and in the best interest of the Trust and its Unit Holders, and issues the following findings of fact and conclusions of law in support of that approval.¹

I. This Court Has Jurisdiction

A. Conclusions of Law with Respect to Jurisdiction²

1. This Court concludes that it has jurisdiction over this case. *See* Tex. Prop. Code § 115.001 (providing that, with certain exceptions not applicable here, “a district court has original and exclusive jurisdiction over all proceedings by or against a trustee and all proceedings concerning trusts . . .”).

II The Trustee Has the Authority to Settle

A. Conclusions of Law with Respect to the Trustee’s Authority to Settle

2. The claims that were or could have been asserted in this case were owned by the Trust and/or the Partnership. The Trustee has the power to prosecute and settle these claims under the

¹ By citing some examples of evidence that supports the Court’s findings, the Court does not intend to imply that no other evidence supports the findings; to the contrary, the evidence adduced at the hearing overwhelmingly supports the Court’s findings.

² To the extent that a conclusion of law should have been designated as a finding of fact, or vice versa, the designation is not controlling, and the correct designation should be substituted. *See Ray v. Farmers’ State Bank of Hart*, 576 S.W.2d 607, 608 n.1 (Tex. 1979).

Royalty Trust Indenture ("Trust Indenture"), the Trust Code, and the common law, and, together with the Plaintiffs, to bind the beneficiaries of the Trust to the settlement.

3. Section 3.01 of the Trust Indenture provides that "the Trustee is authorized to take such action as in its judgment is necessary or advisable best to achieve the purposes of the Trust, including . . . to settle disputes with respect thereto." Section 3.05 also expressly grants the Trustee the power to settle claims:

3.05. *Power to Settle Claims.* The Trustee is authorized to prosecute or defend, and to settle by arbitration or otherwise, any claim of or against the Trustee, the Trust or the Trust Estate, to waive or release rights of any kind and to pay or satisfy any debt, tax or claim upon any evidence by it deemed sufficient.

Trust Indenture § 3.05.

4. Similarly, the Texas Trust Code expressly empowers the Trustee to settle such claims: "A trustee may compromise, contest, arbitrate, or settle claims of or against the trust estate or the trustee." Tex. Prop. Code § 113.019.

5. Finally, the common law recognizes that that a trustee has the power to release claims of the trust, and that a "beneficiary of the trust, is bound by that action." *Cogdell v. Fort Worth Nat'l Bank*, 544 S.W.2d 825, 829 (Tex. Civ. App.—Eastland 1977, writ ref'd n.r.e.).

B. Findings of Fact with Respect to the Trustee's Authority to Represent the Trust and to Settle on Its Behalf

6. The Trustee has the power to prosecute and settle these claims under the Royalty Trust Indenture ("Trust Indenture"), the Trust Code, and the common law, and, together with the Plaintiffs, to bind the beneficiaries of the Trust to the settlement.

7. The Trustee has agreed to settle these claims on behalf of the Trust on the Terms set forth in the Settlement Agreement, and has agreed that the Settlement Agreement is fair and in the best interest of the Trust and its Unit Holders.

III. The Plaintiffs Have the Authority to Represent the Trust and to Settle on Its Behalf

A. Conclusions of Law with Respect to Plaintiffs' Authority to Represent the Trust and to Settle on Its Behalf

8. A beneficiary of a trust may be permitted to enforce a claim or cause of action belonging to the trust when the trustee cannot or will not enforce it. *Grinnell v. Munson*, 137 S.W.3d 706, 719 (Tex. App.—San Antonio 2004, no pet.) (citing *Interfirst Bank-Houston, N.A. v. Quintana Petroleum Corp.*, 699 S.W.2d 864, 874 (Tex. App.—Houston [1st Dist.] 1985, writ ref'd n.r.e.)).

B. Findings of Fact with Respect to Plaintiffs' Authority to Represent the Trust and to Settle on Its Behalf

9. The claims that were asserted or that could have been asserted by the Plaintiffs in this case are owned by the Trust and/or the Partnership.

10. Plaintiffs have alleged that the Trustee failed to pursue the Trust and/or the Partnership's claims against Pioneer and Woodside, and that it, in fact, is unable to pursue such claims due to a conflict of interest. Plaintiffs have also argued that they have authority under §§ 115.011 and 115.015 of the Trust Code to pursue and settle the claims in this case. Plaintiffs have argued that, as a result, Plaintiffs are entitled to prosecute and compromise the claims of the Trust and/or the Partnership. Furthermore, the Trustee has previously authorized MOSH Holding, L.P., to pursue claims on behalf of the Trust and its Unit Holders. The Court finds that Plaintiffs, as beneficiaries of the Trust, had the authority to prosecute and agree to a settlement of the claims in this action on behalf of the Trust and its Unit Holders and/or the Partnership.

11. The Court finds that the Plaintiffs did in fact prosecute and agree to the settlement of the claims in this action on behalf of the Trust and its Unit Holders and/or the Partnership, and

agrees that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders.

12. The Court finds that the Plaintiffs are adequate representatives of the Trust and its Unit Holders and/or the Partnership. Plaintiffs have fully and fairly represented the Trust and its Unit Holders and/or the Partnership. Plaintiffs have zealously pursued this Lawsuit at great expense for four years. MOSH Holdings is the largest Unit Holder in the Trust. As such, Plaintiffs' interests are similarly situated to those of the absent Unit Holders. Plaintiffs have also retained experienced and skilled counsel to represent them and the interests of the Trust and its Unit Holders and/or Partnership in this case, thereby further supporting the adequacy of the Plaintiffs' representation. Finally, the Court finds that the Plaintiffs and the Defendants negotiated the Settlement Agreement at arms' length and in good faith.

IV. This Court Has the Authority to Approve the Settlement Agreement

A. Conclusions of Law with Respect to the Court's Authority to Approve the Settlement Agreement

13. Plaintiffs have alleged that the Trustee has a conflict of interest in this case. Accordingly, the Parties seek the Court's approval of the Settlement Agreement. The Court has the power to approve a Trustee's settlement of claims. *See Cogdell*, 544 S.W.2d at 828, 829-30 (noting trustee sought court approval of settlement agreement that released claims against trustee, because of potential conflict of interest, and holding that approval of settlement was a question for the court, rather than jury); RESTATEMENT (SECOND) OF TRUSTS § 192, cmt. d ("Application to court. If the trustee is in doubt whether he should compromise or submit to arbitration a claim, he may ask the instruction of the court or he may agree thereto conditionally upon the subsequent approval of the court.").

V. The Unit Holders Were Afforded Proper Notice of and an Opportunity to Object to the Settlement Agreement

A. Findings of Fact with Respect to the Notice and Opportunity to Object to the Settlement Agreement Afforded to the Unit Holders

14. Full and proper notice of the nature and existence of this Lawsuit, the Settlement Agreement, and the Settlement Approval Hearing was given to the Unit Holders by mail on May 18, 2009, pursuant to the Trust Indenture and the Texas Trust Code. Moreover, the Trustee filed a Form 8K with the Securities and Exchange Commission ("SEC") and issued a press release on May 18, 2009, announcing the settlement and the scheduled approval hearing. These notices satisfied the requirements under the Trust Indenture and § 115.015 of the Texas Property Code. These notices also provided the Unit Holders the ability to obtain a copy of the Settlement Agreement, proposed Final Judgment, and proposed Findings of Fact and Conclusions of Law

with Respect to Settlement Agreement, either by calling a representative of the Trustee or by visiting www.businesswire.com/cnn/mesaoffshoresettlement.htm.

15. A number of Unit Holders appeared and made objections to the settlement, by objection and/or by intervention including, but not limited to, the 2009 Unitholder Group, Keith Wiegand, Robert Miles, Gordon Stamper, Michael Brown, and Benjamin J. Ginter. The Court has considered these objections and interventions in making its findings of fact and conclusions of law.

VI. The Settlement Agreement Is Fair to and in the Best Interests of the Trust and Its Unit Holders

A. Conclusions of Law with Respect to the Whether the Settlement Agreement Is Fair to and in the Best Interests of the Trust and Its Unit Holders

16. The factors to be considered in determining whether a settlement on behalf of a trust should be approved include the following:

- (a) the probable validity of the claims;
- (b) the apparent difficulties in enforcing the claims through the courts;
- (c) the collectibility of any judgment recovered;
- (d) the delay, expense, and trouble of litigation;
- (e) the amount of the compromise as compared with the amount and collectibility of the judgment; and
- (f) the views of the parties involved, pro and con.

Cogdell v. Fort Worth Nat'l Bank, 544 S.W.2d 825, 829 (Tex. Civ. App.—Eastland 1976, writ ref'd n.r.e.) (citing *In re Ortiz's Estate*, 26 Del. Ch. 240, 27 A.D.2d 368 (1942)).

B. Findings of Fact with Respect to the Court's Finding that the Settlement Agreement Is Fair to and in the Best Interest of the Trust and Its Unit Holders

17. The Court finds, based on the *Cogdell* factors, that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders. An analysis of each factor follows.

a. The probable validity of the claims. In addition to the evidence adduced, papers filed, and arguments made in connection with the Settlement Approval Hearing, the Court has reviewed the voluminous summary judgment briefing and other briefing filed in this action by all of the parties, including, without limitation, the briefs filed in connection with Plaintiffs' attempt to enjoin the sale of Trust assets and Pioneer's motions to exclude testimony offered by Plaintiffs' technical and non-technical experts. The Court finds that numerous significant legal and factual arguments were advanced by Defendants and Plaintiffs, and that the final determination and resolution of these issues would involve significant risk to all parties if the case went to trial. These disputed issues include, but are not limited to, the following:

- * With respect to the Plaintiffs' wrongful farmout claim, Defendants argued that the Conveyance authorized Pioneer to pool or unitize the Subject Interests, *see* Conveyance at § 7.02; that the Farmout Agreement with Woodside was not an improper farmout under the parties' agreements; and that Plaintiffs and the Trust were not harmed by the Farmout, but rather were benefited by it.
- * With respect to Plaintiffs' claim that Pioneer failed to drill or drilled in a grossly negligently manner, Pioneer argued that the agreements and documents accompanying the agreements between the parties did not impose any duty to drill and, in fact, stated that Pioneer had no duty to drill or develop the prospects. Furthermore, Pioneer argued that Pioneer did not owe Plaintiffs or the Trust a duty to prudently develop the Prospects, and that, in any event, Plaintiffs had failed to produce any evidence that Pioneer acted in a grossly negligent manner or otherwise failed to meet any applicable standard of care with respect to its drilling

decisions and operations. Pioneer also argued that Plaintiffs had failed to come forward with evidence that Pioneer conducted drilling operations in a negligent manner or of damages stemming from any alleged failure to drill or improper drilling. Finally, Pioneer argued that Pioneer did drill to the target depth, and that there are simply no oil and gas reserves to be tapped in the Prospects.

- * With respect to Plaintiffs' breach of contract claim, Pioneer argued that Pioneer owed no contractual duty to Plaintiffs or the Trust under the Conveyance Agreement that could support a claim for breach of that agreement, because neither Plaintiffs nor the Trust were parties to that agreement.
- * Defendants also argued that they were not liable based on the limitation of liability provisions in the Partnership Agreement and the Trust Indenture, which provided that Pioneer and the Trustee could "be personally or individually liable only for fraud or acts or omissions in bad faith or which constitute gross negligence" Trust Indenture § 6.01; First Amended and Restated Articles of General Partnership of Mesa Offshore Royalty Partnership ("Partnership Agreement") at § 5.09(a).
- * Pioneer also argued that it was not liable, based on the business judgment rule provision in the Conveyance, which states that the Operator "will conduct and carry on the development, maintenance and operation of the Subject Interests with reasonable and prudent business judgment and in accordance with sound oil and gas field practices." See Conveyance at § 6.01.
- * Pioneer argued that Plaintiffs have no basis for their claim that Pioneer owed a fiduciary duty to the Trust, and that there was no evidence that Pioneer had

breached any of the duties that it did owe: rather, Pioneer's actions were expressly authorized by both the Partnership Agreement and the Texas Revised Partnership Act.

- * With respect to Plaintiffs' claim for civil conspiracy, Defendants argued that the Supreme Court has emphasized the requirement of a specific intent to injure the plaintiff, and that no such evidence exists in this case. Defendants also argued that none of them knowingly participated in another's breach of fiduciary duty, and that, in any event, no such breach of fiduciary duty occurred.
- * With respect to Plaintiffs' claim for fraud, Defendants argued that there was no evidence of any material misrepresentations or omissions or that Plaintiffs and the Trust were harmed by any alleged misrepresentations. Pioneer also argued that it owed no duty to disclose.
- * Pioneer argued that its conduct was permissible under § 11.02 of the Partnership Agreement, in which it "retain[ed] the right to engage in all business and activities of any kind whatsoever (irrespective of whether same may be in competition with the Partnership), and to acquire and own all assets, however acquired and wherever situated, and without in any manner being obligated to disclose or offer such business and activities or assets or compensation or profit to the other Partners or to the Partnership."
- * The Trustee argued that there were numerous provisions of the Trust Indenture that limited or exculpated the Trustee's liability, including § 11.02, which permitted the Trustee to rely on experts, and that "the opinion of any such parties on any matter submitted to them by the Trustee shall be full and complete

authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of any such party.”

- * Defendants also challenged the ability of Plaintiffs’ experts to offer competent expert testimony at the time of trial regarding the alleged hydrocarbon reserves located on the Subject Interests, as well as the damages associated with the alleged failure to recover these alleged hydrocarbon reserves.
- * Defendants also generally challenged whether Plaintiffs have any competent evidence of any damages whatsoever.
- * Defendants would have asserted at trial numerous affirmative defenses as well.

In sum, the Court finds that there are substantial legal and factual issues that make the likelihood of Plaintiffs ultimately obtaining a judgment uncertain, and that there is uncertainty about Plaintiffs’ ability to prove liability and damages. By settling, Plaintiffs, the Trust, and its Unit Holders avoid the significant risks of losing their case on these or the other grounds asserted by Defendants.

b. The apparent difficulties in enforcing the claims through the courts. As set forth above, the Plaintiffs, the Trust, and its Unitholders in this action face risk to successfully pursuing their claims on the merits, which would have imposed difficulties to Plaintiffs’ attempt to enforce these claims in this court.

c. The collectibility of any judgment recovered. There does not appear to be any impediment to collection of any judgment recovered in this case.

d. The delay, expense, and trouble of litigation. Continuing to litigate the claims in this case, rather than to settle them, would have resulted in significant delay, expense, and trouble. This is a complex case. The trial was estimated to last at least five weeks. It

would have involved thousands of exhibits; required the testimony of many witnesses, including costly experts; and required the time and expense not only of the parties' attorneys, but also of the parties and their representatives. Each of the parties to the settlement had indicated a willingness to take this case all the way to the highest court if they had lost, and the cost of briefing and arguing these appeals would have been significant.

Though Plaintiffs sought a continuance of the April 2009 trial date, the Court denied the motion without prejudice pending the mediation of the matter. Thus, the settling parties faced immediate and significant litigation expenses had they not reached this settlement. By settling, the parties avoided the expense of both such a significant trial as well as the appeals that would follow therefrom. Furthermore, by settling, Plaintiffs, the Trust, and its Unit Holders avoid the risk of losing at trial, which is of significant value.

Had the Court ultimately continued the cause, delay of the case presents another problem for the Trust and its Unit Holders: the Trust is out of money, yet continues to incur expenses. Continued litigation of the claims of this case will only result in increased expenses that will ultimately be deducted from whatever recovery the Trust obtains (if any). Furthermore, even if Plaintiffs ultimately obtained a judgment, the Trust might still have to pay substantial reimbursable expenses owed to the Operator and General Partner before the Unit Holders could receive any of the proceeds. Similarly, Pioneer and the Trustee would both be entitled to recoup substantial legal fees incurred in defending this suit if they successfully prevailed against such claims. Moreover, the Trust's \$5 million credit facility loan from JPMorgan would have to be repaid. These recoupments would occur before any distribution would be made. *See Partnership*

Agreement § 5.10; Conveyance at 20. As such, any suggestion that the settlement is unfair because reached during an economic crisis is obliterated by (a) the unwillingness of the Court to wait for economic recovery to bring the case to resolution and (b) the crippling Trust expenses to the Unit Holders themselves by waiting.

e. The amount of the compromise as compared with the amount and collectibility of the judgment. The value of the settlement is substantial. The settlement consideration is at least \$19 million in cash, plus the value of Pioneer's 50% interest in the Brazos Block A-39, the proceeds from the sale of which Pioneer has agreed to contribute to the Trust.

In addition, JPMorgan has agreed to forgive the repayment of the existing \$5 million loan to the Trust. Finally, as part of the settlement, Pioneer has agreed not to pursue an indemnity claim against the Trust or Partnership that have would exceeded \$5 million.

Because this case has not been tried, there is no "amount of the judgment" to compare to the amount of the settlement. However, Defendants argued persuasively that Plaintiffs were not harmed (and indeed, were benefited) by any of Defendants' actions, and that, in fact, Plaintiffs have never even quantified their damages. Indeed, at the time of the settlement, Plaintiffs had yet to delineate, through expert testimony or otherwise, a specific, competent damages figure. The settlement consideration is generous in light of the difficulties in proof of damages faced by Plaintiffs, as well as in light of the other impediments Plaintiffs faced on the merits of their claims.

f. Objections

2009 Unit Holders Group ("the Group) object to the proposed settlement in part. See Report of Agreement Regarding Attorneys' Fee and Expense Claim and Supplementary

Objections to Asset Liquidation Plan in Proposed Settlement. Originally, the Group, which is comprised of a sizeable number of active Trust unitholders, objected to several aspects of the Settlement Agreement; namely, the adequacy of the original notice provided the unit holders, the scope of the proposed releases, the amount of attorneys' fees, and the manner of liquidating the remaining oil and gas interests. The Group and the Settling Parties engaged in post-objection negotiation in an effort to satisfy the Group that the Settlement was in the unitholders best interests.

The sole issue raised in objection to the settlement by the Group, after such negotiation and a resultant modification of the Settlement Agreement outlined below, concerns the requirement that the oil and gas interests beneficially owned by the Trust be liquidated through a public auction process, without first affording the unit holders the opportunity to vote on whether they would prefer an alternative, commercially reasonable, method of disposing of those interests. Having considered this objection, in context with the totality of the settlement, the risks of losing the value brought by the settlement, and the lack of tangible, lawful, and workable methodology for affording the desired vote, the Court overrules the objection.

Gordon A. Stamper, also an Intervenor, objected to the proposed settlement. The basis raised appears to be directed to (a) the merits of the claims against the Defendants; (b) the authority of Plaintiffs to settle those claims; and (c) the concern that he has claims that are separate and distinct from those settled. The objections are overruled.

Other objections. Though the above objectors appeared at the hearing, there were others who placed objections on file with the Court. By far, the overwhelming tenor of these objections pertained to the loss of the Trust. However, the plain language of the Trust Agreement, not the claims pending in this litigation, is the driving force behind the liquidation of the Trust. While

the Settling Parties have vigorously debated throughout this litigation whether the Trust had already terminated by its terms, it is undisputed that the terms of the Trust envisioned a termination of the Trust under circumstances which have now occurred. This Court does not have the power to rewrite the terms of the Trust to avoid such termination; nor would it be in the Unitholders best interest, as the economic consequences of forestalling the termination would fall on the unitholders ultimately. These objections are overruled.

In conclusion, with the exception of one factor – the collectibility of the judgment – all of the *Cogdell* factors compel a finding that the Settlement Agreement is fair to and in the best interests of the Trust and its Unit Holders and should be approved subject to the following modifications agreed to by the Settling Parties and the 2009 Unit Holder Group:

Settlement Agreement Section (B)(8) “Release of Plaintiffs” is modified so as to include the following language after the first reference to Plaintiffs in line 5: “in all of their capacities including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine or otherwise”;

Settlement Agreement Section (B)(11) “Release of the Trust and Partnership” is modified so as to include the following language after the third reference to Plaintiffs in line 6: “in all of their capacities including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine or otherwise”;

Settlement Agreement Section (B)(11) “Release by the Trust and Partnership” is modified so as to include the following language after the first reference to Defendants in line 6: “in all of their capacities.”

Settlement Agreement Section (D)(1)(c) “Minimum Bid/Right of First Refusal Agreements” is deleted in its entirety;

Settlement Agreement Section (D)(1)(d) “Completion of Sale” is modified so as to delete the first (3) sentences and the first “conditional” (“if”) clause and the disjunctive word “or” from the fourth sentence of said section.

The fact that a judgment – if obtained despite the serious impediments on the merits of the claims – may be collectible is far outweighed by the many other factors establishing that the Settlement Agreement is more than fair and in the best interest of the Trust and its Unit Holders.

VII. Other Potentially Applicable Fairness Considerations Support Approval

A. Conclusions of Law with Respect to Other Potentially Applicable Fairness Considerations

18. Although the Court concludes that *Cogdell* articulates the factors that must be considered when determining whether a settlement agreement is fair and in the best interests of a Trust, the Court out of an abundance of caution also addresses the factors set forth in determining whether a transaction between a fiduciary such as the Trustee and its beneficiary is fair:

- (a) whether there was full disclosure regarding the transaction;
- (b) whether the consideration (if any) was adequate;
- (c) whether the beneficiary had the benefit of independent advice;
- (d) whether the fiduciary benefited at the expense of the beneficiary; and
- (e) whether the fiduciary significantly benefited from the transaction as viewed in light of circumstances existing at the time of the transaction.

Lee v. Hasson, No. 14-05-00004-CV, ___ S.W.3d ___, 2007 WL 236899, at *15 (Tex. App.—Houston [14th Dist.] Jan. 30, 2007, pet denied).

B. Findings of Fact with Respect to the Court's Finding that Other Potentially Applicable Fairness Factors Support Approval of the Settlement Agreement

17. As with the *Cogdell* factors, the Court finds that the *Lee* factors also compel a finding that the Settlement Agreement is eminently fair, as set forth below.

- (a) Whether there was full disclosure regarding the transaction. The Court finds that there was full disclosure regarding the Settlement Agreement. As set forth above, the Unit Holders were given ample notice of all details of the Settlement Agreement. The Settlement Agreement and related documents were posted to the Trust's website www.businesswire.com/cnn/mesaoffshoresettlement.htm, and notice of the settlement terms and the posting was provided to the Unit Holders via U.S. mail, SEC filing, and

press release. In addition, Unit Holders were provided a phone number to call and request copies of the Settlement Documents.

(b) Whether the consideration (if any) was adequate. As discussed with respect to the *Cogdell* factors, above, the consideration to be paid in settlement is substantial, and more than adequate to compensate for the claims released.

(c) Whether the beneficiary had the benefit of independent advice. The beneficiaries of the Trustee's fiduciary duty – here, the Trust and its Unit Holders – had the benefit of independent advice from the skilled and experienced counsel for Plaintiffs MOSH Holdings, L.P., and Dagger-Spine Hedgehog Corporation, and were not required to rely on the advice of the Trustee with respect to the Settlement Agreement. Plaintiffs and their counsel have agreed that the settlement is fair and in the best interests of the Trust and its Unit Holders.

(d) Whether the fiduciary benefited at the expense of the beneficiary. There is no evidence that the Trustee (or, for that matter, any of the Defendants) benefited at the expense of the Trust in entering this Settlement Agreement; to the contrary, the Settlement Agreement requires the Defendants to pay substantial consideration to the Trust, in exchange for a release of claims that would have faced substantial impediments at trial.

(e) Whether the fiduciary significantly benefited from the transaction as viewed in light of circumstances existing at the time of the transaction. Although the Trustee and the Defendants benefited from the transaction, in that they received releases and did not have to go to trial, the benefit was not significant in light of the circumstances of the

transaction – specifically, in light of the substantial consideration the Defendants paid in exchange for the release of claims that faced significant impediments to success.

In sum, even when considered under the *Lee* factors, the Settlement Agreement is entirely fair to and in the best interest of the Trust and its Unit Holders.

VIII. The Attorneys' Fees Sought for Plaintiffs' Counsel Are Necessary, Reasonable, and Fair

A. Findings of Fact with Respect to the Court's Finding that the Attorneys' Fees Sought for Plaintiffs' Counsel are Necessary, Reasonable, and Fair

18. Plaintiffs MOSH and Dagger-Spine together with the 2009 Unitholder Group have pursued claims asserted in this lawsuit for the benefit of the Trust and the Unit Holders. As a result the attorneys for these forementioned parties are entitled to reimbursement of fees and expenses which they have incurred under the Trust Fund doctrine.

19. The nature of this case has required extensive funding of expenses by legal counsel. This case has been extraordinarily expert intensive, and extensive funds have been paid or are owed to expert witnesses. There have been numerous depositions in the case. There have been many hearings in the case, including those requiring presentation of evidence. In the course of this case, there have been at least three temporary injunction hearings, two settlement conference hearings, and appeals, including to the Supreme Court of Texas.

20. In addition to amounts spent on expenses, counsel have expended an enormous amount of time in the prosecution of this case. The time actually expended in the pursuit of the case and the value of this time are in the thousands if not 10,000 hour range with reasonably associated commercial fee rates.

The foregoing amounts represent the Lodestar amounts for the attorneys because the rates and time are reasonable.

21. This case has been one in which the financial burden and the time burden has been extensive and the means of meeting these demands has had to be readjusted repeatedly over the course of this case. For example, straight hourly rates have given way to blended rates and partial contingences. Other counsel have had contingent fee agreements which were then adjusted to accommodate other counsel. All of these changes have been necessitated by the enormous expense and difficulty of pursuing this case. The dedication of counsel to the case has been reflected in their willingness to make adjustments in their compensation arrangement and as well as to continue with the case in the face of difficulty being paid or compensated at times.

22. Accordingly, the parties on the Plaintiffs' side of the case have agreed that the following represent the fees and expenses earned by respective parties: \$7,750,000. The parties on the Plaintiffs' side of the case have further agreed that \$150,000 of this amount shall be paid to the 2009 Unitholder Group as reimbursement of its legal fees and expenses.

23. The Court has carefully reviewed the recommendations of the parties and heard testimony of counsel and reviewed the underlying data and finds that the fees and expenses are reasonable and should be born by the settlement proceeds which they have generated for the benefit of the Trust and the Unit Holders. Accordingly, it is ordered that these amounts be paid to the respective parties and their attorneys out of the settlement proceeds as set forth above.

24. In reviewing the foregoing fee application, the Court has considered the factors set forth in Johnson v. Georgia Highway Express, 488 F.2d 714 (5th Cir. 1974). These factors are analyzed as follows:

- (1) Time and labor. The paragraphs above document the time and labor involved. This case has been lengthy and the Court has been personally involved in many of the hearings and motions. The Court has reviewed numerous motions and after review of the record of

this case, the Court is convinced that the time and labor was actually spent and is reasonable for the case.

- (2) Novelty and difficulty of questions. This case involves truly novel and difficult questions. There are many questions raised in the settlement hearings; discovery hearings; and summary judgment proceedings which can only be described as novel and difficult. Further, the defendants sought appellate relief from this Court's decisions on threshold, complex questions to both the Court of Appeals and Texas Supreme Court.
- (3) The skill requisite to perform the legal services properly. This is a case in which some of the most esteemed counsel in Harris County have been present both for the Plaintiff and for the defense of the action. The complexity of the case required experienced counsel, and such experience is present in this case.
- (4) Preclusion of other employment by the attorneys due to the acceptance of the case. Given the amount of time involved, it is clear that this case required a substantial commitment of time and involvement of this case. The parties were precluded to some extent from being involved with other cases. The senior counsel were often present.
- (5) Customary fee. As indicated above, I have reviewed the fees and the fees in question are well within customary fees in the Harris County area.
- (6) Whether the fees are fixed or contingent. As indicated above, this case has represented every combination of fee schedule possible including straight hourly rates, blended rates, partial contingent fees, complete contingent fees. All of these have been necessary at various times in the case to move the case forward and to obtain both time, labor and the financing necessary to pursue the case.

- (7) Time limitations imposed by the client or the circumstances. In this case there have been several trial settings. Frequently the lawyers have been up against severe deadlines including filing of expert reports, challenging expert reports, motions and other matters. As a result because of the time deadlines, at times work was required to be done on a very intense schedule.
- (8) The amount involved and the results obtained. This case originally was a claim in excess of \$1 billion. As time has progressed, the Midway Well on Brazos Block A-39 has proven to be less productive than originally believed. Nonetheless, the Plaintiffs have vigorously pursued and attempted to prove the continued viability of Block A-39 as a drilling prospect. As a result, the case has involved very large potential amounts of money throughout. Notwithstanding the issues in the case as indicated above, Plaintiffs have obtained value and benefit to the Trust in excess of \$30 million.
- (9) Experience reputation and ability of the attorneys in this case. Counsel are all experienced attorneys with the reputations for trying cases.
- (10) Political undesirability of the case. This case does not involve "political" undesirability, but the Court notes that some of the Defendants, in particular JPMorgan Chase, are prominent entities. At least one expert in the case declined to work for Plaintiffs and indeed went to work for JPMorgan Chase because of concerns over who was the Defendant in the action.
- (11) Nature and length of the professional relationship with the client. For Boyer & Ketchand, the only relationship has been this case. Mr. Spagnoletti and Kim have represented principals of MOSH in other litigation. Mr. Buzbee has only represented the parties in this particular action.

(12) Awards in similar cases. This is not a case where all benefits flow to the counsel. Very substantial cash benefits are flowing to the Unit Holders which would not be obtainable otherwise. The Trust itself was insolvent and yet the Plaintiffs have obtained a positive cash value for the Trust. When the total value of the case to the Trust is viewed in terms of the contingency, the contingency is only about 20%. From the Court's experience, this is a low contingency, especially in cases in which counsel are required to expend large amounts of money for numerous experts. Suits over royalty trusts are rare, so the nature of this outcome needs to be evaluated by litigation experience in general.

25. Accordingly the Court approves as necessary, reasonable, and fair attorneys fees and expenses in the amount of \$7,750,000 to be paid as set forth in these Findings of Fact and Conclusions of Law and in the Final Agreed Judgment.

IX. The Intervenor's Claims

A. Conclusions of Law with Respect to Interventions

26. An intervention may be stricken if (1) it is not "almost essential to effectively protect the intervenor's interest," or (2) if the intervention will "complicate the case by an excessive multiplication of issues." *Guar. Fed. Sav. Bank v. Horseshoe Operating Co.*, 793 S.W.2d 653, 657 (Tex. 1990).

B. Findings of Fact with Respect to Interventions

27. Gordon Stamper, Robert Miles, Keith Wiegand, Michael Brown, and Benjamin J. Ginter ("the Intervenor's") have intervened in this case. All claims well plead by those Petitions in Intervention appear to be addressed and resolved by this Settlement Agreement.

28. Motions to strike those interventions are on file with this Court. However, Intervenor's do not appear to have been provided notice that, in addition to approval of the

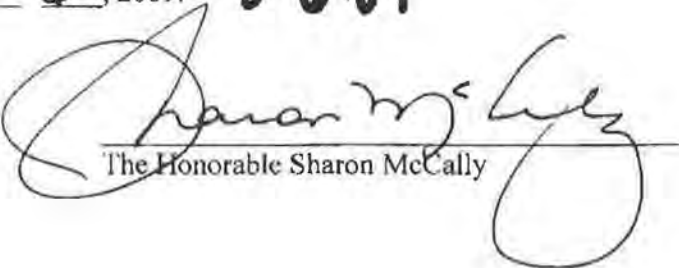
settlement, the Court would consider such motions. Thus, the Court declines to resolve those motions absent (a) notice and an opportunity for Intervenor to be heard – which may be by oral hearing or submission or (b) authority for the Court to adjudicate such Interventions by approval of the Settlement.

X. Conclusion

In conclusion, the Settlement Agreement is APPROVED as fair to and in the best interests of the Trust and its Unit Holders.

All objections to the Settlement Agreement are hereby DENIED.

Signed on August 6, 2009. **8.6.09**


The Honorable Sharon McCally



I, Chris Daniel, District Clerk of Harris County, Texas certify that this is a true and correct copy of the original record filed and or recorded in my office, electronically or hard copy, as it appears on this date.

Witness my official hand and seal of office this November 2, 2011

Certified Document Number: 43325716

Chris Daniel, DISTRICT CLERK
HARRIS COUNTY, TEXAS

In accordance with Texas Government Code 406.013 electronically transmitted authenticated documents are valid. If there is a question regarding the validity of this document and or seal please e-mail support@hcdistrictclerk.com

CAUSE NO. 2006-01984

MOSH HOLDING, L.P.,
Plaintiff,

v.

PIONEER NATURAL RESOURCES
COMPANY, *et al.*

Defendants.

§ IN THE DISTRICT COURT OF

§

§

§

§

§

§

HARRIS COUNTY, TEXAS

334TH JUDICIAL DISTRICT

ES L E D
CHARLES BACARISSE
District Clerk

JUN 19 2007

Harris County, Texas

Deputy

ORDER

Pending before the Court is the Motion to Approve Settlement Agreement and Petition for Instructions filed by JPMorgan Chase Bank ("JPMorgan").

This lawsuit arises from the operation of the Mesa Trust that was created in 1982 to (a) hold an interest in the Mesa Offshore Royalty Partnership ("the Mesa Partnership"); (b) discharge liabilities incurred in the operation of the Mesa Trust; and (c) distribute the remaining amounts to the beneficiaries of the Mesa Trust.

Defendant JPMorgan is currently the trustee of the Mesa Trust.¹ Defendant Pioneer National Resources USA, Inc. ("Pioneer") is the managing general partner of the Mesa Partnership.

In 2003, Pioneer entered into a farmout agreement with Defendant Woodside Energy (USA) Inc. ("Woodside") which is largely the basis of this suit. In 2005, MOSH Holding, L.P. ("MOSH"), a beneficiary of the Mesa Trust, brought this lawsuit alleging direct and derivative claims against Pioneer and Woodside. MOSH also sought an injunction to prohibit termination of the Mesa

¹ JPMorgan advised MOSH of its intent to resign as trustee in November, 2005. After MOSH sought appointment of a temporary trustee, JPMorgan withdrew its resignation.

Trust. JPMorgan declined to pursue the claims against Pioneer and Woodside on behalf of the trust, but authorized MOSH to do so at their own expense. MOSH then amended its suit to include claims against JPMorgan.

On January 26, 2007, JPMorgan executed the settlement agreement at issue (hereinafter "Mutual Release and Settlement Agreement") conditionally settling all of Plaintiffs' claims against Pioneer and Woodside. By the instant motion, JP Morgan asks this Court to approve the Mutual Release and Settlement Agreement and dismiss with prejudice the claims asserted in this lawsuit against Pioneer and Woodside. See Proposed Order Approving Mutual Release and Settlement Agreement and Dismissal with Prejudice, filed June 4, 2007, p. 1. Neither the motion nor the proposed order approving settlement purport to settle claims raised by the Plaintiffs against JPMorgan itself, though the settlement certainly compromises claims in which JPMorgan is alleged to be a joint-tortfeasor (i.e. claim against Pioneer for aiding and abetting *JPMorgan's breach of fiduciary duty*). Further, the majority of the provisions in the Mutual Release and Settlement Agreement pertain to the dissolution of the trust and sale of trust assets, though that relief is sought primarily against JPMorgan. Thus, it is clear that the settlement will impact the remaining claims against JPMorgan.

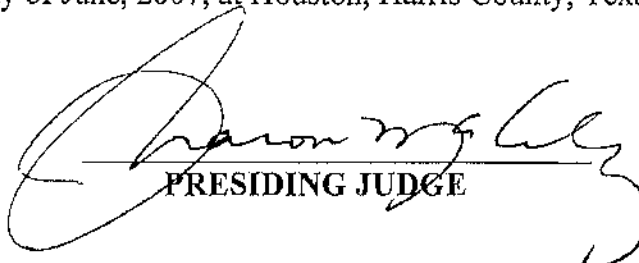
The Mutual Release and Settlement Agreement, as amended post-hearing, is an agreement between "the Parties" who are Pioneer and the Mesa Trust, through the Trustee. See Mutual Release and Settlement Agreement, p. 1.

Woodside is not a party to the agreement though, by promises between the Parties, Woodside receives a release of all claims.

Section 192 of the Restatement (Second) of Trusts permits a trustee to "compromise, submit to arbitration or abandon claims affecting the trust property, provided that in so doing he exercises reasonable prudence." Comment *d* to that section provides that "[i]f the trustee is in doubt whether he should compromise or submit to arbitration a claim, he may ask the instruction of the court or he may agree thereto conditionally upon the subsequent approval of the court." By its motion, JPMorgan invokes Comment *d* and asks this Court, *in equity*, to approve the settlement.

The Court determines that the Motion should be DENIED. Having viewed the Mutual Release and Settlement Agreement in the context of (a) the identity; interests; and alignment of the parties negotiating; (b) the nature of the claims pending; (c) the breadth of the claims compromised and released; (d) the consideration (or lack of consideration) for such releases; (e) the validity of Plaintiff's claims and the potential recovery therefor; and (f) the Trust's potential exposure should the claims proceed, the Court concludes that it cannot approve the settlement.

SIGNED this 19th day of June, 2007, at Houston, Harris County, Texas.


PRESIDING JUDGE

Ormond October 2010 Presentation to Beneficiaries

John Piper. John Piper. Are you ready to start?

Yes sir.

So, Pattie's gonna start. I don't need to introduce her. Everybody knows her, right?

Q: Everybody knows her.

[Clapping]

P: I'm really, really happy. It's wonderful, wonderful to see all of you.

Q: Good to see you too.

P: Thank you. You are the owners of the most remarkable, most remarkable asset that I have seen in 35 years of being a landman in the State of Texas, and you are most fortunate and blessed because nobody gets a second chance at something like this. It's remarkable, and it really is – it's the birth place of the Eagle Ford development in Texas. We just had the DUG conference here in San Antonio, and DUG is, of course, developing unconventional gas, and the Eagle Ford play is about unconventional gas, natural gas and it is the fuel of the future - actually, it should be the fuel of today. And that is something that you can have an impact on as owners of this asset and as citizens of this country and you need to take that seriously because it is only with your will power and your voice that that will happen and that will benefit you as owners of this asset and as citizens of this country.
2:09

Q: Hear, hear.

P: Slide– this is your asset. It is 207 square miles of real estate in La Salle and McMullen Counties. This is the dividing line – I don't have my pointer with me.

Q: Thank God.

P: This is the dividing line between McMullen and La Salle Counties, and it is a contiguous, meaning one piece, all connected, piece of property, and I was asked to close it on your behalf in 2005, to close your trust, because it wasn't making enough money. And I looked at it, and I said, "You know. It ought to

be making more money because the best place to find oil is where it is producing", and there are 46 gas reservoirs located on this piece of property that has been producing since the 40's. There are 43 oil reservoirs – they are all staked – they are producing from 17, well actually from 600 feet down to – before the Eagle Ford, 11,000 feet. The Edwards produces at about 11,000 feet up here. Most of the production is Wilcox, and it produces around 5,200 to 5,800 feet. And I think in 2005 when I joined your team, you were getting – I don't know – around \$600,000 a year or so in royalty, which among 30,000 shares is not a great deal when the bank takes 2-1/2% and there are miscellaneous fees associated with it. 3:47

P: You were losing money. It wasn't generating a great deal of income. It should have been generating more. The oil business wasn't in very good shape. I'm a landman, I'm not a banker, and you needed a landman, and the bank hired me to be a landman, not to be a banker, so I did what landmen do is - I got to work trying to market this and tried to turn it into an oil property which is what it is. It is a mineral asset. 4:17

P: This is where you're located within the state of Texas. Here is San Antonio where we're today, and this is where your property is. I've got a little oil rig here. You can't see. It's hard to get to. And we can go to the next frame. This looks really complicated, but I wanted to show you what I showed people when I showed them your asset. This is an outline of your asset, and I divided it into quadrants because I tried to manage this thing as though it were pieces – pieces of a pie that I could say to people, okay, this is the Pioneer acreage. Pioneer has 15,000 acres here that they're holding, but the minimum production, six wells holding 16,000 acres. Since 1940, they've been holding 16,000 acres. It's ridiculous. No development here. There's actually a little development over here that people walked away from in the 80's because we had \$10 oil and \$2 gas – it didn't pay to produce it. No activity down here at all. 5:26

P: This is a conglomeration of leases. Conoco has deep rights. They've been sitting on it since the 70's doing nothing. Whiting Petroleum, a very big company out of Denver, owns most of the rights to the Midway, which is another name for Wilcox, which goes to about 5,800 feet. Actually down to about 6,200 feet on the south end. Things get deeper as you go south – as you go down to the coast, formations get deeper. Uh – it's like uh - seas came up and down, and up and down, they laid down these layers, sand and shales, and so as you approach existing bodies of water, the sands are thicker, so they're deeper. So what's at 5,800 feet up here is probably about 6,200 feet down here. Up here, there was very little development. There was one little

Olmos well right here that was completed in the 1990's, and it was that company that shocked 60,000 acres of seismic data that I found an envelope that had never been opened on a tape in a file. When I was going through your files, seeing why we should not close this, I looked at this tape and I said I wonder what's on this. I wonder why no one ever looked at it. So I hired a geophysicist to show it to, and I bought \$150 worth of well data so I could tell how deep some of these structures were, and I invited your trust officer, a man named Al Leach, who believed in you enough to spend that money, and we looked at it and we saw some geology that looked very promising, so for that \$1,500 expenditure I think we made you a little more than a million dollars on this. It was a pretty good return. 7:37

P: And I promised him that, if you give me this \$1,500 – I promise you we will make this back. We will show a profit. We will get this money back. I just know it. So we leased a couple of things. We leased Broad Oak, – we leased some acreage up here - I think we did a million dollars or so to Broad Oak, and they wanted to drill some Edwards wells. They had done some work with Pioneer, and they thought this extended across here. So they leased this. And then we entered into some other arrangements to shoot some additional seismic. 8:16

P: Next slide – This is what some seismic looks like. This is - I think the Wilcox – oh, this is the Chalk - seismic – 3-D seismic has to be worked – It has to be interpreted by a geoscientist. And I think Ellen – is Ellen here? Ellen knows all about this. This is – we hired a geoscientist named Bob Buehler, and he interpreted some of the seismic data for us, and we went to the North American Prospect Expo, and we marketed your prospect, your acreage, and we talked to exploration companies and showed them some of the work that we did – to show them what your acreage was capable of – what kind of – what the, what the, what the formations look liked, looked like under the surface. And this was just the Chalk. There was a series of distinctive structures that transversed your entire asset. We knew the Chalk was there. And when we looked at logs from wells drilled through the Chalk on your acreage, we wondered why never, no one ever attempted to complete any of those wells. But most of you know from reading on the blog and on the Internet, that the Austin Chalk is fed by the Eagle Ford. The Eagle Ford is the source rock for the Austin Chalk so we're seeing in all of these wells, and all this seismic data was that the Eagle Ford was productive. We just didn't know that there was a way to produce it. 10:01

P: Next slide – your acreage produces or it's capable of production at so many depths. We have Queens City at 1,600 feet. We've got the Wilcox – we've got

about 1,000 feet of Wilcox stands. You've got Olmos sands below the Wilcox. You have Austin Chalk. You have Eagle Ford. You have below the Eagle Ford, you have Pearsall, which is something we'll talk about later. Below the Pearsall, you have Sligo which we're going to talk about too and there are Sligo prospects delineated on your acreage. We know that there's three Sligo prospects on the South Texas Syndicate. Below the Sligo, we have Hosston sands. And this is a log, a mud log from a 1964 well, and it's got the mudlogger's notes on it, and these are handwritten notes from that well and you'll note that – I don't know if you can see it – but he says, "Recommended show by Schlumberger, gas show, mudlogger gas show. Gas shows 42 net feet. Log analysis – gas, DNM, Schlumberger, gas show. This well actually tested 1,000 mcf gas per day. It wasn't completed. 11:41

P: This was in 1964. They weren't looking for gas. They didn't know how to produce it. They didn't know how to complete it. They had no idea – this, this was – this well tested a thousand mcf – a million a day, it was a million cubic feet a day with no completion. 20,000 feet – 20,000 feet. I don't know if you can appreciate what a tremendous task and event that was in 1964. I mean, that's like having an electron micro – in my mind – and Ellen, tell me if this is true. That's like having an electron microscope in a teacup. For me, that's what that's like. 12:28

P: So, it's a remarkable asset. You have production capability from very shallow to deeper than we're capable of producing economically today. 12:42

P: Next slide. The first Discovery well for the Eagle Ford was of course on STS, and it was the Petrohawk STS No. 1. It came on in October of '08.

Q: That's the first Eagle Ford well?

P: It was the first Eagle Ford in the country, and the initial production rate was \$3 million a day, and 85 barrels of oil. The cumulative gas to date is a little over 1 bcf of gas. That's two years.

Q: What's that mean? What's that mean?

P: Well, a billion cubic feet - it's a million mcfs. And 26,500 barrels of oil. It's a pretty good well for a 4,000 foot lateral when it was a test well we really didn't know how to complete it. 13:35

P: Um – Bert Hayes-Davis told you today that there is a correlation between initial production rates and estimated ultimate recovery, and this is true.

Drilling Info is a service I use and most people in this industry use. It is a production database, but more than that, it also offers some engineering tools, and they had a talk at DUG— and they also talked about this correlation between initial production and ultimate recovery from a well. It just so happens that several days ago I was working on this presentation, and I downloaded all of the Eagle Ford wells in the gas condensate window, and I was looking at a way to correlate how to pick the best wells. How, what can I look at to say which well is going to last the longest – which well is going to produce the most? And so I parsed things and I work them around – and I'm a numbers person, so, I fool around with them – and I, I sat there for several days, I guess, and I parse them and I came up with the same (inaudible), that there is a direct correlation between initial production and ultimate recovery. Initial production and cumulative gas. So, if you look at this and then you look at all of the gas condensate wells drilled in this trend to date, you have the best well drilled in the entire gas window located on your property and that is the Common Resources. It's now Talisman. STS 1-29 well which potential 9 million cubic feet of gas. It's dry gas. It's an awesome well. It came in at the highest initial production rate and to date it remains the highest producing well in the entire trend. Common – Talisman is trying to recreate those results with each well they drill. 15:45

P: H. L. Tompkins told you today that Talisman is going to bring a gas factory to your property. You know, I don't know when H.L. found that out, when they told him that, but man, the wires should have been on fire when he found it out because that is the best news you could have received. The gas factory is what Encanta is doing — it's what Talisman is doing – it is what BP is doing. It's what every major gas producer in the world is doing. Petrohawk is not doing this. The reason Petrohawk is not doing this is because Petrohawk really is not a dry gas player. They are a condensate oil player. And we'll talk about that in a minute, but – 16:35

P: Next one – Oh, I wanted to tell you. That one well in October '08 – go back to that.

P: Oh you can't, it's nevermind. Don't, don't, don't, dont. One well October '08 fast forward two years. This is what it looks like today. Ignore this. This is an artifact, these wells don't count. This is what it looks like today. This is Eagle Ford production and drilling today. There is no permit shown. There are 206 completed gas wells, 104 completed oil wells. In two years. That's what your well – one well two years ago created. Does it, does that mean something to you? I mean – I think that's awesome. You know, for me, I don't think

anything better could happen to me professionally ever, ever. That's, that's just the best thing ever. 17:40

Q: That came from you taking seismic to NAPE?

P: Yes. *[Clapping]* So that's just seismic. But that's, that's something you owned. That's, that's that's your property, and that's, that's you own that. That's in JPMorgan's vault. You own that. You had that. And if you hadn't had that, this wouldn't have happened. And Charles Cusack, who is the executive vice president of exploration for Petrohawk. I called him about four weeks ago and I told him I was really unhappy with him because a geologist with a company called First Rock gave an interview and he credited the discovery of the Eagle Ford to his own work. The credit for the discovery of the Eagle Ford does not belong to Greg Robertson or First Rock. The credit for the discovery of the Eagle Ford belongs to the geophysical data that South Texas Syndicate provided to Petrohawk and gave them to work, which, gave them the basis to drill that first well. So Charles is going to correct that when he gives his paper to the Geophysical Convention in Houston next week because you deserve that credit, not Greg Robertson. It's your data and it was your effort because you paid for that effort and ensured it. It's your asset. 19:01

P: And I think that Jack and Tom and John and Carter and all the rest of you know this and it is in trust and it is important that it stay a single entity because it has value because it is a single entity. But you own it. It does not belong to JP Morgan, it belongs to you. And it needs to be managed as though it belonged to you. And you need full disclosure and full information and you're entitled to all of it. You're responsible for all of this, I'm not. 19:47

P: Would it have happened eventually? Yeah. It would have. It happened in October of 2008 because of you, and it happened well because of you because you had the data to make it happen. Nobody else had it. You had the 3-D data to allow them, to allow them to delineate it. 20:06

P: Next slide. Oh, the difference, let me say one thing about that other thing. Not all those wells are on stream. There's not gathering lines to all of those gas wells, so they're not all on production. 20:20

P: The Eagle Ford activity in La Salle and McMullen counties. This is LaSalle County, here is McMullen. Your property is roughly here. These are just the two counties. I excluded everything else. But you can see that this is really the heart of a gas and gas condensate window. 20:42

- P: This is a gas condensate trend. And that's where the majority of the development is because it's most productive and most profitable because of the heavy liquid content of the gas. 20:57
- P: Okay, so the Eagle Ford is a geographic trend. It extends from Mexico up into east Texas. I think it goes on into Arkansas, I could be wrong. But I think it goes all the way across Texas. And it outcrops somewhere in the east. It is accessed by horizontal drilling. I think everyone here is familiar with horizontal drilling. I've got a little slide on it I can show in a second. The STS #1 was the discovery well. On your acreage, the most profitable (inaudible), the most profitable portion of the trend is in gas condensate window. A large portion of your acreage is in dry gas. There are no liquids associated with that. So the natural gas price limits the number of wells you can drill. Natural gas sells at a very low price currently it's around 3.40, something like that. 21:56
- P: Gas condensate, condensate is a high grade, you can think of it as a high grade of oil. It sells at an oil price plus a premium. Plus the value of the gas. So, it's got a high value. The more condensate, the higher the value of the gas stream. It's one of the reasons I asked JPMorgan today, where's the condensate in these numbers? Where's the oil? I notice in the letters that you get they report to you the oil barrels on your little graph, your little table here, but they don't tell you how many barrels of condensate they are selling. So how can you know how much money you're making. It doesn't make any sense. If they add the value back into the gas traded, that would make sense. That would raise the value of your gas stream. You can have some sense of what your wells are worth, but you can't get to your income from the information they give you. There's no transparency in your monthly statements. 22:51
- P: You're not in the oil window, but Petrohawk who owns most of your leases, is a primary player in the oil window. I talked to Petrohawk about development of your asset, and they do intend to step up their development. They're not going to simply keep pace with Reece Exploration. They are going to become more aggressive than they have been. It depends in some part about – on how cooperative their lessee is, but they are going to develop. They are not going to use the gas factory approach. They do not plan to drill dry gas until they have to or unless they must drill to hold a lease. They will focus only on the condensate. So if a lease is located where the northern part of it is in the gas condensate window and the southern part is in dry gas window – you can expect all of the wells they drill to be in the north part. That might not be such a bad idea because if gas prices are low, you want to save that production until the gas prices rise. 24:17

- P: On the other hand, you'll remember that Bert Hayes-Davis mentioned that there are pipelines coming in who are willing to pay a premium for filling their pipeline. Under your oil and gas leases, you have a right to take your production in kind. You don't have to sell it to your lessee. So your trustee, or whoever is managing your production, can sell that and enter into a contract to sell your gas at a higher price than the market is selling for. So, you're not limited by the spot market price on gas – if you have a pipeline company that's in need of filling its pipeline, you can sell your gas at a premium and you can, you don't have to hedge it – you don't have to get into a sophisticated contract where you have to have an expense connected with the sale. You can simply enter into a one or two year contract and sell your gas at a premium. 25:24
- P: I don't think JPMorgan is really on top of what is happening in that market and is not keeping pace with what landowners are doing generally. 25:33
- P: This is a little diagram of horizontal drilling. I, does everybody here know what horizontal drilling is? Is there anybody who doesn't? Let's skip it.
- P: This is the same slide that Bert Hayes-Davis showed you. It's generally available – they left out the credit. This is an EOG slide. It's copyrighted. It needs to – it's EOG's. EOG is of course Enron Oil & Gas. Does everybody remember Enron? It's based on 2-D data. Global has now shot a great deal of this, and actually JPMorgan didn't tell you today because they didn't know but the 3-D shoot on your entire asset is finished, and it is processed, and it is in _____'s hand. So if JPMorgan doesn't have the data, shame on them. They should. Their lessees have it. 26:30
- P: Here is your acreage. Here and you're in the wet gas window, part of you and part of you is in the dry gas window – in the lower portion. So you can see, this doesn't come all the way from Mexico, but you can see how it trends up into East Texas. This is where Petrohawk is playing and EOG and Common and Talisman, Talisman and Hunt and let's see who else – Newfield and Encanta and BP are all playing in the gas condensate window. Most people who are long-term most companies that are long term gas players are in the gas condensate window because they believe that those wells will last longer – they will have a longer life. 27:23
- P: I ran the economics on the Common 129 well, Talisman STS 129 well. That well at current decline rates will produce for the next 30 years, and if the, and I, and I got the numbers from the engineers on the well. And if it continues like this - I mean, it's always subject – this is our best guess. In 30 years, it will still produce \$3 million a year to your interest at \$4 gas. That's a pretty darn good.

28:03

P: Oil wells do not live that long. I talked to the head of exploration for Pioneer, and he says they give their oil wells 10 years before a very rapid decline. So I think that in the gas window even given gas prices I think you are much better off being in the gas window if you are looking at the long-term asset.
28:23

P: Next slide. I wanted to show you what surface owners put up. You don't own surface, and one of the things that I do is that I manage minerals, as well as surface, for owners in South Texas, and this is a bad example of Eagle Ford drilling. This is a 10 acre lake. And this can happen and does happen every day in the Eagle Ford. This tank holds a million barrels of water that is used to frack Eagle Ford wells. And a frack has just happened on, from this well. This is a polyliner and this well, this pump is full and I walked up to the company man, and I said, "Can I take some pictures of your oil site?", and he said, "Sure." I said well, I won't put your name in it and he said go ahead and I said I won't do that. 29:20

P: So I gave a presentation to landowners on what the Eagle Ford looks like and I wanted to show you because many of you don't know and have never seen it, and you get the benefits of this production but you don't understand why people don't want this on their land. Today, H. L. Tompkins told you about a surface location that was not located on a certain lease and he told you that they drilled off of the lease and turned the bit and fracked onto another lease and the reason for that is that the surface owner on the lease they wanted to put the well under wouldn't let them drill on his land. And the reason is that he didn't want this on his land. And I wanted you to see what it looked like.
30:07

P: Next slide. It had not rained. This is a 10 inch aluminum pipe bringing water from that from that well. The rig has moved off.

P: They got some stands in the clogged in the well – they had a coil. They were trying to break the stand free. But this is a tank coming from a fluid from this trailer they're running out of the ground.

P: There's no dumpster anywhere on this. I looked on the whole well site. There's no dumpster anywhere. And this landowner put, thank you, put up with this for over two months and how would you like to have walked out into your backyard and see this? 30:45

- P: Next slide. This is just another view of it. This is a really bad example. On my wells, the kind of manager that I am, they've got a pad with eight inches of caliche and it's built up and crowned and terraced and their mud pits look like a Greek labyrinth. It's really beautiful, and they, it's, it's beautiful. It doesn't look like this. And it's all fenced with a welded fence. And they hate me for it, but it looks real nice. It doesn't look anything like this. I just wanted you to see. 31:15
- P: Next slide. So, what's important in the Eagle Ford is location just like real estate, it's real estate, in another sense it's location and the right operator because if you get the wrong operator, it's like anything else. They can mess up your well. They can damage your reservoir permanently in that location. The Eagle Ford is not so bad because Eagle Ford only drains a very narrow area around the well bore. We think it only drains 80 acres. 31:45
- P: Now, that's another issue I have with JPMorgan because they don't understand the lease that they have with you. The lease that you granted allows the minimum acreage around a well bore necessary to get a valid permit. And I don't understand why they're giving 640 acres. So there are some things to talk to your mineral manager about. 32:19
- P: Next slide. In the future, you have a lot to do. On the *Pioneer* lawsuit and in the southeast portion of the STS – the southwest portion of the STS acreage, there are ample opportunities to develop the Wilcox between 48 and 6,200 feet. There's the Olmos. And you have a lessee of Whittier Energy and Blackbrush Energy – who has drilled an Olmos well and had an verbal agreement to extend the lease from JPMorgan and JPMorgan failed to execute that extension. Actually, I think it was in writing that they agreed to extend the lease, think it was an email, and they failed to do that, and at the meeting today, they told you, that they were in negotiations to extend it. Well, I think it was agreed to extend it. 33:21
- P: That well was supposed to be a lateral completion. Olmos was traditionally drilled as a vertical completion. Swift Energy has been drilling the lateral Olmos wells, and at DUG today – or DUG yesterday, they were touting the wonderful results they were getting from these lateral completions of the Olmos. The Olmos cannot compete with the Eagle Ford.
- P: The wells are not analogous. The results are not analogous, but they do get much better results than they get from vertical completions in the Olmos. 33:57

- P: But you have lots of Wilcox and lots of Olmos opportunities on STS. You, of course, have dozens, if not hundreds, of locations in the Eagle Ford. If Common is planning on putting was it eight pads of – or 14 pads of eight wells that's over a 100 Eagle Ford wells on their 12,000 acres – 9,800 acres. So, you've got 132,000 acres — all of it prospective – some of it dry gas, some of it gas condensate – you have the ---- well. It'll take 15 years to develop that. 34:48
- P: Below the Edwards you have the Pearsall. And the Pearsall I manage this 7,800 acre ranch in Dimmit County which is just west of you but geologically almost identical to you, it's also in the gas condensate window. And we just drilled – The operator has just drilled a Sligo test. They're not gonna complete the Sligo. They tested it to see if it was of hydrocarbons bearing and at what level it would produce gas and how sour the gas was so that they would earn that formation under the lease, have an opportunity to later to drill to it and test it so that they could begin to do science on those wells. They're gonna come up the hole and complete in the Pearsall. They'll complete it vertically, they'll frack it, they'll produce it for 6-8 months, maybe a year, while they do science on it. Figure out how best to complete it and then they'll drill it laterally. 35:50
- P: You have those same opportunities on STS and when we look at the 3-D that you already have, it's there. It lights up like a Christmas tree, and you have lots of formation, and there's – you have shows in the two wells that have been drilled through it. We think it's there. On the Sligo – 36:13
- Q: Is the Pearsall below the Eagle Ford?
- P: Yes. These are all below. You also have additional Edwards. You have lots of additional Edwards opportunities in the north. Not in the southern portion, but in the north – across the entire north portion of the acreage, you have additional Edwards opportunities. And Hunt will be exploring this, and Pioneer should be drilling some as well. 36:38
- P: I got an update on your lawsuit. I don't know if I'm supposed to tell you about it, but on your lawsuit, your experts have identified significant Edwards locations and Wilcox locations that they'll be testifying about. So, I can (inaudible). So... 36:55
- Q: Can I ask you one more question on the Pearsall?
- P: The Pearsall?

- Q: The Pearsall. Is that level leased out to the best of your knowledge?
- P: The Pearsall is expired in the west Petrohawk Lease. It's expired – it will expire, if it will expire under all the Petrohawk Leases unless they drill to it. It's held until you shake loose the Pioneer Leases. If those leases are freed through litigation, it'll be free. It's free – all of these formations are free under 16,000 acres. 37:37
- Q: It could be marketed?
- P: Yes, it could be marketed. It's all open under 16,000 acres. In the northeast quadrant, uh – not the very top, you take a strip off the top of the acreage and then there's 16,000 acres where we identified a play in the Pearsall/Sligo/Hosston Smackover and I reserved those formations in all those 16,000 acres because I couldn't get any additional bonus for it, and they wouldn't commit to drill. So, _____ and we know this prospect there. We know there's a huge prospect there. There's room in the Hosston for 40 wells minimum. And there's a huge Sligo play, and the data that Whittier and Blackbrush shot in the center of your acreage shows a gigantic Sligo structure, and then Petrohawk, when I was talking to Charles Cusack, says there's another one over on the west side. There's also another one in the northeast portion where you, you're on the _____. So, there's four potential Sligo plays there. 38:46
- P: The Hosston - we know - is under the entire east half. We don't know about the West. I haven't seen anything over there. JPMorgan needs to look at – or your Mineral Manager – needs to look at that seismic data and see if it's there because those Petrohawk leases will terminate at depth. Have – one of them has terminated at depth, and these will all come open and should be marketed. 39:10
- P: Encanta is picking up Pearsall and Sligo today. I'm marketing Pearsall and Sligo to Encanta. I've sold them leases based on these plays, so I know it can be marketed. 39:25
- Q: What is in Pearsall and Sligo?
- P: Gas. It's gas. This gas is going to be sour. It'll be sour.
- Q: Define sour.
- P: It'll be sour. It'll have hydrosulphide in it. It'll have sulphur in it.

Q: And what's the Pearsall?

P: The Pearsall is – The Pearsall will be – I don't think the Pearsall will be very sour if at all. It's not testing sour in the well way down in Dimmit where you don't have to put an plant down there, so I'm not sure.

Q: What does sour mean?

P: It means it has hydrogen sulphite in it. It has some sulphur in it.

Q: So you have to take it out?

P: Yeah, you have to take it out. You have to take it out of the well site. It's poison.

Q: Can you smell the sulphur?

P: You can smell it.

Q: Can you sell it?

P: Oh yeah, you can sell it if there's enough. Down the Smackover – in some areas of the Smackover, that, that gas is 85% sulphur. And yes, you can sell it. Conoco runs sulphur plants in east Texas. Sulphur used to be mined in the United States until I think the petroleum industry, and I think I'm right about this, it was mined until they figured out that they could market it or produce it more economically by stripping it out of sour gas and sour oil. They had to clean it out anyway. Mostly, this didn't require them to pay the lessor for it, so they had free sulphur. No more sulphur mines. They just took it from the gas and took it from the oil. Under your lease if they get sulphur, and it's in commercial quantities, they have to pay. 41:03

P: So, you got a Sligo/Hosston/Smackover under – 16,000 acres plus the 12,000 acres that has expired in the west – so you've got 28,000 acres that is open and can be mined. I think that looks pretty bright. 41:27

[Laughter]

P: I had some notes for the meeting, and there were a few things that I, I wanted to tell you. And I don't know that I remembered all of them. I tried to incorporate in my remarks tonight the things I heard at DUG. One of the things that I think I heard from a couple of different people was that we have

a 200 year supply of natural gas, and that is what is – that is a part of what is depressing natural gas prices. 41:58

P: So, one thing that we can do as people who are interested in producing that commodity is we can encourage our government, our representatives, to push for legislation that encourages the conversion of our transportation fleet to compressed natural gas, which is a more environmentally friendly fuel – is a bridge fuel – frees us from dependence on foreign oil and is more economical fuel to boot. It will help your pocketbook. It will help your investment account. And it will help the price, it will help keep these wells drilling. One of the reasons these wells are being drilled is because they are being drilled with foreign money. American companies are not funding this exploration. 42:56

P: Much, if not most, of the Eagle Ford gas wells are being drilled by Indian and other companies, mostly Indian companies, in joint ventures, and they have to drill regardless of price in order to fulfill the terms of their joint venture agreements. 43:14

P: Pioneer entered into an agreement with Reliant to sell 40% of their asset – their Legacy assets in the Sprayberry and the Eagle Ford play to them, in exchange for Reliant's continued development of those assets. So, Reliant has to pay 100% of the cost of drilling a predetermined number of wells in exchange for a 40% interest in those wells. The reason – well one of the reasons that Pioneer may have countersued you is because Reliant refused to commit to drill your wells because of your lawsuit. Because they looked at your lawsuit, in my opinion, and saw that it had merit and they wouldn't take the edge. Pioneer does not deserve to have your lease. You don't hold 16,000 acres with six wells producing less than \$100,000 in royalty. It's not commercial production on 16,000 acres – it's just not. 44:38

P: You have to look at the value of the asset, and I'm not talking about the Eagle Ford. I'm talking about what a prudent businessman does with his asset. If you had 16,000 acres that was producing \$100,000 a year, would that be good enough for you? 44:59

P: The other thing was – let's see – Reliant paid \$12,000 an acre for that 40% interest. That was the bonus. That did not include the cost to drill the wells. The wells in the Eagle Ford – I think H. L. told you between \$8 and 12 million dollars. It's not correct. The wells cost somewhere between, between \$5 and 7 and a half million dollars in the gas window if they're not science wells. And by science wells, I mean, the initial well that gets drilled in the new area on which they core – and which they want everyone to look so they know where

they are and they know that they're completing it correctly and that a, that a prudent operator does whenever he enters into a new area so he knows what kind of rock he's working with. This industry is really remarkable. They do remarkable things with rock, and they're really something to be proud of. And I am proud – and I'm proud to be a part of. 46:08

P: There are bad examples, and there are good examples, and you have some of the best people on your land. Pioneer is a good operator. They just didn't treat your acreage right. What they do on the ground is really pretty good. They do great science – they just didn't happen to do it on your acreage. I think they should. Petrohawk is doing it. Talisman is doing a great job. Blackbrush is trying. Hunt will do a good job. The challenge is to keep that relationship open. What H. L. said about not being able to help them do that – to encourage them to do that – I think is wrong. I was told by Charles Cusack, I was told by Bob Cain, that – by Mark Norville that given a choice between drilling on Farmer Jones and Farmer Smith, I am going to drill on the farmer who's the most open to doing business with me, who is the most responsible. It's business. It's just business. We're gonna go to the man who makes you feel good about doing business with him, even if you have to pay him a little more to do it. So, are there any questions? 47:26

Q: Wow.

Q: All right. For those who don't know, tell them what you're doing now.

P: Well, I started a corporation called Concept Energy Management, and I do mineral management. I manage a couple of ranches. I manage 197,000 acres in deep South Texas. I have all kinds of production on it. I have some new activity on it. I don't manage a hundred percent of the minerals. The management is divided up between different people. I have two clients in that acreage. I manage 100% of the minerals and 100% of the surface on 7,800 acres in Dimmit County. I just picked up another client with 7,000 acres in the oil window. So I manage about 100 assets that are spread across the country. I manage 5,000 acres of coal in Kentucky. We're getting ready to mine that. I manage uranium. Uranium is ____ uranium project. so I'm doing what I've been doing for 35 years – I manage minerals. I also do leasing – one-time leasing for landowners, so I'll go to counties and I'll teach people about the Eagle Ford. Sometimes I'll go many times. I give presentations at farm and ranch shows. I'll be invited by groups of landowners or by the mayor of a small town to come and talk to people when they've been oil companies come out or geophysical companies come out, they call me up and say can you come and talk to us about this and tell us what to expect. And sometimes

those people will ask me to represent them. I'll negotiate their lease. I'll market their lease. Sometimes, I'll help them with a problem on the surface or a title problem. I work with attorneys, with engineers. I'm having fun. [Laughs] 49:25

P: I am. I'm doing just what I like to do. It's nice. I get to work with real people – with nobody between me and the client, so I'm very happy. I also do a lot of *pro bono*, and I like that too. So sometimes when I'm talking to a client and I'm driving down a country road, I'll see someone in a trailer, and I'll stop by. And I'll just talk. And that's fun, and it's all work for them too. And I feel like giving something back. And I'm thinking about writing a book. I've hired a young woman who is a publicist, and I started writing a book. I have a friend in Austin who's encouraging me to do that, and I'm doing a lot of different things. I'm enjoying every minute of it. Thanks for asking. 50:19

Q: Okay. What would you tell us – – just sit tight and enjoy the ride or should we be proactive?

P: Do you really want my opinion?

Q: Yeah. I asked for it.

P: I think you should --

___: What's the question again? I didn't get it.

Q: Oh, I'm sorry. If we should sit tight and enjoy the ride or should we be more proactive and concerned about our asset?

P: Uh – You walk a fine line. If you cannot take an active role in the management of your asset because you'll be a business association as opposed to a trust, so you cannot manage your asset. You're entitled to full information about your asset and total transparency, which you cannot exert management over your asset as before or you will be a business association, and that means tax. And that has all kinds of ugly consequences. 51:18

P: JPMorgan – I think JPMorgan got out of the mineral business. I like H. L. Tompkins. Do I think he's a good Mineral Manager? No, I don't. I think he's a terrible Mineral Manager. I think he's a great banker. Banks are corporate trustees. They are not groomed to be Mineral Managers. They don't market. They're not proactive. They want to sit back and take care of your money. That's - that's their core perspective. That's how they're geared. That's what

is drummed into them – to preserve the asset, not to develop the asset. Look at it – They have seven Mineral Managers, they have 12,000 accounts. They manage 200,000 assets. How can they manage your asset? How can they – they don't have time to pick up the phone and spend two hours on the phone negotiating your lease. 52:31

P: I spend some days 15 hours a day negotiating STS leases – 15 hours a day doing research to make sure I got it right. How does JPMorgan have that time? Charles Cusack asked me if I would interpret your leases for Petrohawk. They're complex. I talked to H. L. today. I said, "How are you doing?" He said, "Well, you've been there, you know." He said, "I don't know. He said Jason's helping me full time, but you know –. 53:09

P: He said - you have this asset is a company – This, to manage this, to do it right, you know this is a professional – this requires a professional. This is not a bank. A bank can... a bank can make sure you're paid properly, that you're paid timely, that your funds are received and that they're safe. And you should have a bank while you're a trust. You should have a national bank because of the amount of money that comes into your account, and you will have much more money coming into your account because nobody is going to lose these leases. Nobody is going to let one of these leases go. You are in a sweet spot of the gas condensate window. That and the dry gas window. This is prime real estate. Nobody's gonna let this go. They're gonna do whatever they have to do to farm out to whoever – farm out means to let another company drill it in exchange for some kind of interest. They're gonna get whoever they have to do – whatever- do whatever they have to do to hang onto this asset. 54:38

P: They're gonna keep drilling it until it's all earned under the terms of those leases. So, your tax issues have to be addressed. Your question, in my opinion, is do you want to stay with JPMorgan, which is not transparent in my opinion – because these letters – these letters that you get – where you're told in the same piece of correspondence said – well, this month your weighted average oil price is \$78.28 – and in the same paragraph that your weighted average price is \$42.46. That was in May and in June you were told \$87.95 and in the same paragraph \$46.28. Well, which is it? Did you get \$78.28 or did you get \$42.46? And by the way, on those volumes that they tell you they got, they paid you dividends of \$32, but when I calculate the volumes at prices, either you got \$8.34 a share or you got \$4.96 a share, but they paid you a dividend of \$32, so how much money are they holding and where is it and why didn't they distribute it and how long have they held it, and why don't you know where your money is? It's your money. I think you should know

these things. I think – you know when I was writing you letters, I told you. Why aren't they telling you where your money is? The most I think I ever held back was \$120,000 because we would have legal bills. I never held back more than that. 56:31

P: In October, I would calculate what I thought the ad valorem taxes would be and I would hold that back. I, I would know about what – and I knew that was going to be paid October 1 and because I would take advantage of every discount and so I would hold that back and it would be paid within 15 days from the time I held it back. And I do the same thing in January, but those were for expenses that were paid (inaudible). I never held back the difference between \$8 a share and \$32 a share on 30,000 shares – that's a lot of money. And repeatedly, the difference between \$8, \$32, \$4, \$35, \$4, \$54, \$3, \$27. Where is all this money? 57:21

P: I mean – You know, today – the Pipers, Bill Piper has asked for data to allow him to obtain an estate tax valuation and because of that, we made a request to JPMorgan for detailed production and income information, and today at that meeting JPMorgan told us we could get that information. You never get that information. That information is provided to every other trust beneficiary on a routine basis by that bank, but not STS. You never can get that. I don't know if you have asked, but they've never given it to you. 58:17

P: I think JPMorgan should give it to you. I think when you ask for accounting, they should give it to you. When you ask for information on production, they shouldn't side track you because you're not as sophisticated about oil and gas exploration matters and they can. That they should say, yes, we have that data on our system. Here, we have it in digital form. Let me email it to you. I think that's what a trustee should do because a trustee is your fiduciary. And that's what a fiduciary means. 58:51

P: And that's why I went to work for JPMorgan in 2005 because they promised me that I could operate that way – that you would come first. And for as long as I was there, you did, and I think you still should. And I think whoever you choose for whatever time you remained a trust – That whatever entity you decide to use in your transition, should you transition, it should be to – you should have your money and your asset with someone who is responsive to you and is a fiduciary. There's a lot of you. I know it's a big job. But you know, they get paid to do it. And last year they got paid very handsomely to do it. And they'll get paid very handsomely from now on to do it. 59:59

P: What they did today, you know, I was thinking, okay – The data they put

together today would have taken me – if I was working by myself — two and a half weeks. It's HL on the land side. If I had someone like H. L. has, where he has two assistants and Jason, maybe four days. Is that worth a million bucks? I don't think so. It's your money. I think you should get what you paid for and what you bargained for. 1:00:44

P: I'm done.

[Clapping]

Q: You're not done, you may think you're done, you're not done.

Q: I have nothing to say. (Inaudible) tape recorder so my dad can hear Pattie's presentation. But anyway, thank you.

P: On your lawsuit, I think you're going to win. I think your leases will either be partially terminated or you'll have a settlement agreement where they'll be – you'll get some acreage back, and you'll have an opportunity to enter into this drilling program to earn some acreage, because under those leases, they can only keep 20 acres around a well bore, and those wells drain more than 20 acres. So, the Edwards Well under field goals will hold 640. They're gonna want 640 acres around their existing wells. They have six existing wells. And they're gonna want an opportunity to drill them. Tr 2 00:43

P: They're good Edwards wells. They're excellent. They really are. And they didn't do right by you. At this talk at DUG, the CEO of Pioneer — I asked – I went to his Q&A session. And I got up and I asked him, I said, so you talked about Legacy assets and, what would motivate Pioneer to drill gas wells, that are not economic on leases that you don't have to drill to hold. And he said, "Well," and he saw my name, and he knows my name. I'm sure someone said you know, Cox and Smith, they're suing us. He knows, they know, you know. And he said, "Well, we started, looking at this in 2006. We started going to Eagle Ford in 2006. And I thought, well that's strange. I just did a whole thing on Eagle Ford. I didn't see Pioneer. The first completion by Pioneer that I saw was in 2009. It was a great well. Best well in the Eagle Ford – called the Gandy well. Awesome well, incredible well. But he said 2006. What he actually meant is that they cored a well and they noticed the Eagle Ford. Well they went ah there's the Eagle Ford. He called that _____. _____.

P: But I suspect that what the court will do – or what the settlement will do is that it will set aside some acreage in the Edwards, and it'll let them develop that. Now the Edwards is below the Eagle Ford. And it'll let them have part it. And the rest of it will come back to you. And that's what should happen. Most of

that will come back to you. Your lawsuit is not about the Eagle Ford. It can't be because the Eagle Ford didn't exist when we filed the lawsuit. And you can't bring a lawsuit for failure to develop an exploration well. There's no duty to explore in Texas. There is only a duty to develop in Texas. 2:45

Q: So, the only thing we can get out of this is freed up land?

P: Well, at \$3,000, \$3,500 – \$4,000 an acre, I don't think that's a bad deal.

Q: Well, maybe it's not a bad deal. But it probably all stems from a fairly bad lease a long time ago when people didn't know what was going on.

P: Well, the lease should have been released, and the bank should have sought release of the lease. And they did. They just didn't do it forcefully. They lacked guts. They didn't pursue it because they're bankers. You know what I mean? 3:27

Q: Yeah, I understand.

P: They're bankers. They got sold – they got sold by these exploration – I read the notes. I read all the files. And what would happen is the bank would make noise about – gee there's no development, and the oil company at the time would parade in three or four people. They had big pow wows, and they promised to do better and the bank would go – oh good, they're gonna do better. And they waited two years, and nothing would change. And the banks would get tired. And the bank wouldn't do anything. 4:00

Q: They're trustees.

P: Right. They're trustees. They're not managers. That's the problem. They're not managers. And I think Tom – I don't know if it's you or John – talked about under the trust that there should be a difference between the land management and the administration. That the trustee should not actually be managing the land.

Q: Yeah I believe that.

P: I think under the way – in the original agreement, in the original organization of South Texas Syndicate, there was a separate land manager, and that's the way it should – that's the way it was set up. There's a conflict of interest. The trustee doesn't know how to manage the oil and gas assets. It's not their business. 4:55

Q: (inaudible) are there other viable alternatives (inaudible)?

P: Oh, there's a lot of people who can do all of that – I mean, there's people who – trust administration and land management. There's banks that are based in town, there's national banks. There's, you know, there's private trust companies. Yes. 5:00

[Inaudible chatter]

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OIL ONLINE**API selects Ohio Petroleum Council executive director** (Mar 1, 2013)

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GeoPark boasts Chilean gas find (Feb 25, 2013)

GeoPark hit gas at the Palos Quemados field onshore Chile

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Petrohawk announces new Shale Gas Field discovery

Oct 20 2008 7:00PM

Petrohawk Energy Corporation has announced a significant new natural gas field discovery in the Eagle Ford Shale in South Texas. This new field in La Salle County, Texas, was discovered after extensive regional subsurface and seismic mapping, geochemical analysis and petrophysical study. The Company has leased over 100,000 net acres in what it believes to be the most prospective areas for commercial production from the Eagle Ford Shale. The field is located immediately south of the Stuart City Field, which is on the Edwards Reef Trend that extends across South Texas.

"This discovery folds perfectly into our portfolio of unconventional resource assets," said Dick Stoneburner, Chief Operating Officer. "Petrohawk's staff has extensive experience in the acquisition and development of horizontal plays as exhibited by our results in the Haynesville Shale and Fayetteville Shale plays. Leveraging that expertise to uncover new opportunities like the Eagle Ford Shale adds significantly to our playbook."

The discovery well, the STS #241-1H, was drilled to an approximate true vertical depth of 11,300 feet during which extensive coring and open hole logging was performed. An approximate 3,200-foot lateral was drilled and subsequently fracture stimulated with over two million pounds of sand in ten stages. The well was placed on production at a rate of 9.1 million cubic feet of natural gas equivalent per day (7.6 million cubic feet of natural gas per day and 250 barrels of condensate per day). A confirmation well, the second well drilled on the project, the Dora Martin #1H, which is approximately 15 miles from the discovery well, has been drilled, cored and logged. The quality of the Eagle Ford Shale in this well appears to be superior to that found in the STS #241-1H. The Company is currently drilling the lateral on this second well. A third well is expected to spud by mid-November.

Petrohawk expects drilling and completion costs for development wells to range between \$5 and \$7 million. Development costs, including one rig that will run continuously on the project, have already been included in the Company's published 2008 and 2009 capital plans. The Company plans to access existing gathering and transportation infrastructure, further improving lower overall development costs.

Petrohawk is the operator and owns 90% working interest in the project, with 10% owned by industry partners.

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Stock Price (Real time)

27/02/2014 15:00
Code : 8002

Last : JPY 718

Change : JPY -5

* Volume : 12,766,000

※ 20 min. delayed

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Ownership Statistics

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Stock information

as of September 30, 2013

Securities code	8002
Stock listings*	Tokyo, Nagoya
Number of shares issued and outstanding	1,737,940,900
Number of shareholders	136,983
Transfer agent of common stock	Mizuho Trust & Banking Co., Ltd
Business year	from April 1 to March 31 of the following year
General shareholders meeting	June

Type of Shareholder

as of September 30, 2013



Note : The total may not be 100% because the numerical value of the graph is rounded off.

Our Major Shareholders

as of September 30, 2013

	Shares (thousand)	Voting Rights %
The Master Trust Bank of Japan, Ltd. (Trust Account)	79,794	4.60%
Japan Trustee Services Bank, Ltd. (Trust Account)	71,662	4.13%
Sompo Japan Insurance Inc.	52,110	3.00%
JP Morgan Chase Bank 380055	48,543	2.80%



	Shares (thousand)	Voting Rights %
Japan Trustee Services Bank, Ltd. (Trust Account 9)	47,379	2.73%
Meiji Yasuda Life Insurance Company	41,818	2.41%
Tokio Marine and Nichido Fire Insurance Co., Ltd	32,410	1.87%
Mizuho Bank, Ltd.	30,000	1.73%
Barclays Securities Japan Ltd.	25,000	1.44%
Nippon Life Insurance Company	24,700	1.42%

(Note) The number of shares owned is rounded down to the nearest thousand.

(Note) Percentages of voting rights are rounded down to the nearest two decimal points.

(Note) Shareholder names are current as of September 30, 2013.

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12-00037-2

After Recording please return to:
 Susie Maldonado
 Hunt Oil Company
 1900 North Akard Street
 Dallas, TX 75201-2300

After recorded return to:
 Marubeni Eagle Ford LP
 2800 Post Oak Blvd., Suite 6000
 Houston, TX 77056
 Attn: Mr. Keiichiro Mano

STATE OF TEXAS)
)
 COUNTY OF MCMULLEN)

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "*Assignment*"), dated May 17, 2012 and effective as of 12:01 a.m. (Central Standard Time) on December 28, 2011 (the "*Transfer Time*"), is by and between Hunt Oil Company, a Delaware corporation ("*Assignor*"), and Marubeni Eagle Ford LP, a Texas limited partnership ("*Assignee*"). Assignor and Assignee are sometimes referred to herein individually as a "*Party*" and collectively as the "*Parties*."

For and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

ARTICLE I ASSIGNMENTS

Section 1.1 *Assignment.* Subject to the reservation of Seller's Retained ORRI set forth in Section 1.2, Assignor does hereby forever GRANT, BARGAIN, SELL, CONVEY,

ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee an undivided 35% of all of Assignor's right, title and interest in and to the following properties and assets (such right, title and interest of Assignor in and to the following properties and assets are collectively called the "**Assets**" and individually called an "**Asset**", and such undivided 35% of the Assets, excluding the Excluded Assets, is collectively called the "**Conveyed Interests**"):

(a) the oil and gas leases described in Exhibit A-1 (collectively, the "**Leases**") (insofar as such Leases pertain to the Conveyed Depths), together with any and all other rights, titles, and interests of Assignor in and to (i) the leasehold estates created thereby and (ii) the lands covered by the Leases or included in pooled acreage, communitized acreage or units with which the Leases may have been pooled, communitized or unitized (the "**Lands**"), including in each case fee interests, fee mineral interests, subleases, mineral servitudes, royalty interests, overriding royalty interests, production payments, net profits interests, carried interests, reversionary interests, and all other interests of any kind or character;

(b) all oil, gas, water, disposal or injection wells located on the Leases and the Lands or on other leases or lands with which the Leases and/or the Lands may have been pooled, communitized or unitized, including the wells set forth on Exhibit A-2, to the extent producing from, or injecting waste from, the Conveyed Depths (the "**Wells**" and together with the Leases and the Lands, the "**Properties**");

(c) all easements, surface use agreements, surface leases, surface fee interests, Permits, servitudes, rights-of-way and similar rights and interests applicable to, or used or useful in connection with, the Properties or the Facilities, in each case, to the extent the terms of such rights and interests (or applicable Law) allow a partial interest thereof to be assigned (the "**Rights-of-Way**");

(d) all rights and interests in, under, or derived from all unitization, communitization and pooling agreements in effect with respect to the Properties and the units created thereby that accrue or are attributable to the interests of Assignor in the Properties;

(e) to the extent assignable (with consent, if applicable) all Applicable Contracts;

(f) all Hydrocarbons, produced from or attributable to, the Wells;

(g) all equipment, machinery, fixtures, and other real, personal, and mixed property, operational and nonoperational, primarily used or held for use in connection with the Wells, including well equipment, casing, rods, tanks, boilers, tubing, pumps, motors, fixtures, machinery, compression equipment, flowlines, pipelines, gathering systems, processing, dehydration, liquification and separation facilities, storage facilities, drillsite pads, water and mud pits and containment facilities, structures, materials, and other items used or held for use in the operation thereof ("**Facilities**");

(h) all proprietary Geoscientific Data set forth on Schedule 4 to the Purchase Agreement, *provided* that Assignee's use of such proprietary Geoscientific Data shall be limited to development of the Joint Interests and such Geoscientific Data may not be assigned directly or indirectly to any other Person without Assignor's consent;

(i) digital or hard copies (at Assignee's cost and upon request) of, and the right to use and transfer such copies of, any files, records, information and data of Assignor relating solely to the Conveyed Interests described in Section 1.1(a)-(h) and (j)-(l), including: (i) land and title records (including abstracts of title, title opinions, and title curative documents); (ii) contract files; (iii) correspondence; (iv) maps, engineering data and reports; (v) log books and Operating Data; and (vi) facility and well records, but in each case excluding any information that cannot, without unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets or information subject to binding Third Party confidentiality obligations ("**Records**");

(j) all Imbalances from and after the Transfer Time;

(k) all liens and security interests securing payment for the sale or other disposition of Hydrocarbons produced from or allocated to the Properties, including the security interests granted under Texas Uniform Commercial Code § 9.343, but only to the extent that such liens and security interests relate to the other Conveyed Interests during the period from and after the Transfer Time; and

(l) all claims, rights and causes of action, including warranty claims, against any Third Party or Affiliate of Assignor, whether asserted or unasserted, known or unknown.

EXCEPTING AND RESERVING to Assignor, however, the Excluded Assets (including Seller's Retained ORRI).

TO HAVE AND TO HOLD the Conveyed Interests unto Assignee and its successors and assigns, forever, subject to the covenants, terms and conditions set forth herein.

Section 1.2 Assignor's Retained Overriding Royalty Interest. Notwithstanding anything to the contrary in this Assignment, Assignor hereby excepts and reserves an overriding royalty interest in each Lease equal to the positive difference, if any, between (a) 25% and (b) all existing burdens payable out of production (including royalty interests, overriding royalty interests, carried interests, production payments and other similar burdens) under such Lease ("**Seller's Retained ORRI**"); *provided, however*, that Seller's Retained ORRI shall be proportionately reduced on a Lease by Lease basis to the extent (x) such Lease covers less than the entire undivided oil and gas mineral fee estate in and under lands covered by such Lease or (y) the interest in any such Lease is less than the entire oil and gas leasehold estate created by such Lease; and, *provided, further, however*, that if the royalty interest payable to lessors or similar burdens with respect to any such Lease increase at a subsequent date, Seller's Retained ORRI shall be recalculated as set forth in the first sentence hereof to take such increase into account. For example, assuming no proportionate reduction is necessary (i.e., Hunt owns 100% of the Working Interest in a Lease that covers 100% of the oil and gas mineral fee estate), if the sum of the royalty interests and similar burdens with respect to a Lease prior to giving effect to the conveyance of such Lease to Assignee equals 20%, the portion of Seller's Retained ORRI burdening Assignee's interest in such Lease would be calculated as follows: $(.25 - .20) \times .35 = 1.75\%$. If the sum of the royalty interests and similar burdens with respect to such Lease subsequently increased to 22%, the portion of Seller's Retained ORRI burdening Assignee's

interest in such Lease would be reduced as follows: $(.25-.22) \times .35 = 1.05\%$. Seller's Retained ORRI is and shall be, during the term of each present valid subsisting Lease that is burdened by Seller's Retained ORRI, free and clear of, and shall not be charged with any costs of drilling, completing, equipping and operating any wells located on such Lease, but Seller's Retained ORRI shall bear its proportionate part of all ad valorem, severance, excise and production taxes.

Section 1.3 Excluded Assets. Notwithstanding anything to the contrary in this Assignment, Assignor (and its Affiliates) shall reserve and retain the Excluded Assets, all of which are excluded from the Conveyed Interests and other rights to be conveyed to Assignee hereunder, and Assignee shall have no interest in, to or under any Excluded Asset.

Section 1.4 Pooling. Assignee may voluntarily pool, communitize or unitize Seller's Retained ORRI with the Leases and other leases and lands without the consent of Assignor.

Section 1.5 No Obligations. No obligation, either express or implied, shall arise by reason of Seller's Retained ORRI that would obligate Assignee to develop or produce the Lands or to keep and maintain the Leases in force and effect.

ARTICLE II SPECIAL WARRANTY; DISCLAIMERS

Section 2.1 Special Warranty benefitting Assignee. Assignor shall warrant and forever defend title to the Properties unto Assignee against the claims and demands of all Persons claiming, or to claim the same, or any part thereof, by, through or under Assignor, but not otherwise. Assignor hereby assigns all covenants and warranties and the right to enforce all rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests, and Assignee is specifically subrogated to Assignor's interests in all rights relating thereto that Assignor may have, to the extent Assignor may legally transfer such rights and grant such subrogation. Assignor warrants to Assignee that Assignor has not granted, created or reserved any overriding royalty, net profits interest, carried interest, production payment, reversionary interest, or similar burden that would result in the Net Revenue Interest in any Lease or Well owned by Assignee immediately after giving effect to this Assignment to be less than 35% multiplied by 74.625% (such 74.625% proportionally reduced to the extent that the Working Interest in such Lease or Well owned by Assignor immediately prior to giving effect to this Assignment is less than the entire Working Interest in such Lease or Well). The Parties agree to reasonably cooperate with each other in asserting any rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests.

Section 2.2 Disclaimers.

(a) EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE V OF THE PURCHASE AGREEMENT OR SECTION 2.1, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF

THE ASSETS AND (III) THOSE ITEMS SET FORTH IN THE PURCHASE AGREEMENT (INCLUDING THOSE ITEMS SET FORTH IN SECTION 7.7 THEREOF). EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN SECTION 2.1, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS OF THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, AS ASSIGNEE DEEMS APPROPRIATE.

(b) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 2.2 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE III ASSUMED OBLIGATIONS

Section 3.1 *Assumed Obligations.* Assignor (subject, in each case described below, to the terms of the Purchase Agreement) (a) is taking the Conveyed Interests subject to Permitted Encumbrances, (b) assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the Assumed Obligations to the extent related to the Conveyed Interests, and (c) is taking the Conveyed Interests subject to the terms and conditions of all of the Applicable Contracts to the extent related to the Conveyed Interests, and hereby assumes and agrees to fulfill, perform, pay and discharge all obligations arising or related thereto and attributable thereunder to Assignor.

ARTICLE IV MISCELLANEOUS

Section 4.1 *Separate Assignments.* Where separate assignments of the Conveyed Interests have been or will be executed for filing with, and approval by, applicable Governmental Authorities, any such separate assignments (a) shall evidence this Assignment and assignment of the applicable Conveyed Interests herein made and shall not constitute any additional Assignment or assignment of the Conveyed Interests, (b) are not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the Purchase Agreement and are not intended to create, and shall not create, any representations, warranties or additional covenants of or by the Parties, except for the special warranty of title benefitting Assignee, as set forth in Section 2.1, and (c) shall be deemed to

contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate assignments.

Section 4.2 *Purchase Agreement.* This Assignment is delivered pursuant to the Purchase Agreement. The Purchase Agreement contains certain representations, warranties and agreements of and between the Parties, some of which survive the delivery of this Assignment, as provided for therein and shall not be merged into this Assignment or be otherwise negated by the execution or delivery of this Assignment. This Assignment shall not be construed to amend the Purchase Agreement or vary the rights or obligations of either Assignor or Assignee from those set forth in the Purchase Agreement.

Section 4.3 *Governing Law.* This Assignment and the legal relations between the Parties shall be governed and construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer construction of such provisions to the laws of another jurisdiction.

Section 4.4 *Successors and Assigns.* The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective legal representatives, successors, and assigns.

Section 4.5 *Interpretation.* In construing this Assignment: (a) no consideration shall be given to the captions of the Articles, Sections, subsections or clauses, which are inserted for convenience in locating the provisions of this Assignment and not as an aid to construction and shall not be interpreted to limit or otherwise affect the provisions of this Assignment, (b) no consideration shall be given to the fact or presumption that either Party had a greater or lesser hand in drafting this Assignment, (c) the plural shall be deemed to include the singular, and vice versa, (d) each Exhibit to this Assignment is part of this Assignment, (e) each Exhibit attached to this Assignment shall be deemed incorporated herein as if set forth in full herein, and (f) all references in this Assignment to Exhibits, Articles, and Sections refer to the corresponding Exhibits to, Articles of, and Sections of this Assignment unless expressly provided otherwise.

Section 4.6 *Counterparts.* This Assignment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one assignment.

Section 4.7 *Further Assurances.* Assignor covenants and agrees to execute and deliver, or shall cause to be executed and delivered from time to time, such further instruments of conveyance and transfer, and shall take such other actions as Assignee may reasonably request, to convey and deliver the Conveyed Interests to Assignee, to perfect Assignee's record title thereto, and to accomplish the orderly partial transfer of the Conveyed Interests to Assignee in the manner contemplated by this Assignment.

ARTICLE V DEFINED TERMS

Section 5.1 *Defined Terms.* In addition to the terms defined elsewhere in this Assignment, for purposes hereof, the terms defined in this Section 5.1, when used in this Assignment, shall have the meanings set forth in this Section 5.1.

"Affiliate" shall mean with respect to a Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. The term **"control"** and its derivatives with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Contract" shall mean, to the extent they relate to the Conveyed Interests and Assignor is a party, all Contracts (i) by which any of the Properties are bound or (ii) that primarily relate to the Properties or other Conveyed Interests and (in each case) that will be binding on Assignee after giving effect to this Assignment, including farmin and farmout agreements; surface use agreements, bottomhole agreements; crude oil, condensate, and natural gas purchase and sale agreements; gathering, transportation, and marketing agreements; hydrocarbon storage agreements, acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; facilities or equipment leases; crossing agreements; letters of no objection; production handling and water use agreements; and other similar contracts and agreements, but exclusive of (x) any master service agreements or (y) contract or agreement relating to seismic data and information.

"Assumed Obligations" shall mean all obligations and liabilities, known or unknown, related to or arising out of the Conveyed Interests, regardless of whether such obligations or liabilities arose prior to or after the Transfer Time; *provided* that the Assumed Obligations shall not include any Retained Liabilities (as defined in the Purchase Agreement).

"Conveyed Depths" shall have the meaning set forth in Exhibit B.

"Contract" shall mean any written or oral contract, agreement, agreement regarding indebtedness, indenture, debenture, note, bond, loan, lease, mortgage, franchise, license agreement, purchase order, binding bid, commitment, letter of credit or any other legally binding arrangement. The definition of **"Contract"** shall not include any Lease, easement, right-of-way, crossing agreement, Permit or other instrument (other than acquisition, sales or purchase agreements) creating or evidencing an interest in the Conveyed Interests that constitutes real or immovable property related to or used in connection with the operations of any Conveyed Interests.

"Effective Time" shall mean 6:59 a.m. (Central Standard Time) on January 1, 2012.

"Excluded Assets" shall mean all right, title and interest of Assignor or any of its Affiliates in and to any property, right or asset not expressly included in the definition of "Conveyed Interests" including: (i) all corporate minute books, financial, Tax and accounting records that relate to Assignor's business generally (excluding copies of historical accounting records to the extent relating to the Conveyed Interests and separable from Assignor's records on a commercially reasonable basis); (ii) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time; (iii) except to the extent related to an Assumed Obligation, all rights and interests of Assignor (a) under any policy or agreement of insurance or indemnity, (b) under any

bond or (c) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property prior to the Transfer Time; (iv) all right, title and interest in any oil and gas or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests in oil, gas and other minerals relating to the Excluded Depths (except insofar as such interests pertain to the Conveyed Depths); (v) all Hydrocarbons produced and sold from the Properties with respect to all periods prior to the Effective Time and all proceeds attributable thereto; (vi) all claims for refunds of or loss carry forwards with respect to (a) Taxes for which Assignor is responsible pursuant to Section 8.4 of the Purchase Agreement, (b) income or franchise taxes of Assignor attributable to any period (or portion thereof) on or prior to the Transfer Time, or (c) any taxes attributable to the Excluded Assets; (vii) all of Assignor's proprietary computer software, patents, trade secrets, copyrights, names, trademarks and logos and all other intellectual property of any kind (other than the Geoscientific Data listed on Schedule 4 to the Purchase Agreement); (viii) all documents and instruments that are protected by an attorney-client privilege or that are work product of counsel (other than title opinions relating solely to the Conveyed Interests); (ix) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with Third Parties to the extent consent for disclosure is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (x) all licensed seismic data and related information relating to the Assets that requires Third Party consent for partial assignment to Assignee if such consent is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (xi) documents prepared or received by Assignor or its Affiliates with respect to (a) lists of prospective purchasers for transactions compiled by Assignor or its Affiliates, (b) bids submitted by other prospective purchasers of the Conveyed Interests, (c) analyses by Assignor or its Affiliates of any bids submitted by any prospective purchaser, (d) correspondence between or among Assignor, its Affiliates and its and their respective representatives, and any prospective purchaser, and (e) correspondence between Assignor or its Affiliates or any of its or their respective representatives with respect to any of the bids, the prospective purchasers, or the transactions contemplated in this Assignment, the Purchase Agreement or the other Related Agreements; (xii) any offices, office leases or personal property not directly related and necessary to the production of Hydrocarbons from the Properties (for example, trucks and computers); (xiii) any Conveyed Interests that are excluded from the transaction contemplated by the Purchase Agreement by virtue of any provisions hereof or thereof (including Properties re-conveyed to Assignor pursuant to Section 3.2 or Section 3.4(c) of the Purchase Agreement); (xiv) Assignor's bonds; (xv) any amounts in suspense as of the Transfer Time; (xvi) all Imbalances relating to the Properties or other Conveyed Interests arising before the Transfer Time; (xvii) originals and copies of all Records, subject to Assignee's right to obtain a copy of such Records at its sole cost and expense pursuant to Section 1.1(i); and (xviii) all rights arising under or attributable to the Retained Interests, including the right to use all or any portion of the Retained Interests in respect of the ownership, development, operation and production of the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths), including the non-exclusive right of ingress and egress across the Assets and through the Conveyed Depths and the non-exclusive right to use the Rights-of-Way in respect of the ownership, development, operation and production of the Excluded Depths and the gathering, storage, transportation and marketing of

Hydrocarbons produced from the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths). For the avoidance of doubt, Assignor's interest in the Retained Interests, including Seller's Retained ORRI, are Excluded Assets.

"Excluded Depths" shall mean any oil and gas horizons underlying the surface of the Lands covered by the Leases that are not expressly included in the definition of *"Conveyed Depths."*

"Geoscientific Data" shall mean all geological, geographical and/or geophysical maps, surveys, field tapes, data, processings, interpretations, prospects, and other related information owned by Assignor or its Affiliate and to the extent relating to the Conveyed Interests.

"Governmental Authority" shall mean any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

"Hydrocarbons" shall mean oil and gas and other hydrocarbons produced or processed in association therewith.

"Imbalance" shall mean any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well and allocated to the interests of Assignor therein and the shares of production from the relevant Well to which Assignor was entitled, or at the pipeline flange between the amount of Hydrocarbons nominated by or allocated to Assignor and the Hydrocarbons actually delivered on behalf of Assignor at that point.

"Joint Interest" shall have the meaning set forth in the Purchase Agreement.

"Law" shall mean any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority.

"Net Revenue Interest" with respect to any Well or Lease, shall mean the interest in and to all Hydrocarbons produced, saved, and sold from or allocated to such Well or Lease, after giving effect to all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests, and other burdens upon, measured by, or payable out of production therefrom.

"Oil and Gas Leases" shall have the meaning set forth in the Purchase Agreement.

"Operating Data" shall mean operations, environmental and production data (including operational and technical work product) to the extent relating to the Conveyed Interests, but in each case excluding any information that cannot, without commercially unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets.

"Permit" shall mean any permit, consent, authorization, approval, registration, license, exemption, certificate, order, waiver, franchise, variance, right, or other authorization granted by or obtained from any Governmental Authority.

"Permitted Encumbrances" shall have the meaning set forth in the Purchase Agreement.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"Purchase Agreement" shall mean the Purchase and Sale Agreement, dated December 28, 2011, by and between Assignor and Assignee.

"Related Agreements" shall have the meaning set forth in the Purchase Agreement.

"Retained Interests" shall mean the 65% undivided interest in and to the Assets held by Assignor after giving effect to the purchase and sale of the Conveyed Interests, along with the Seller's Retained ORRI, as contemplated by Section 1.2 and shall include (i) all right, title and interest held by Assignor that is held as a tenant in common with Assignee after the Transfer Time and (ii) all production of Hydrocarbons related thereto.

"Tax" shall have the meaning set forth in the Purchase Agreement.

"Third Party" shall mean any Person other than a Party or an Affiliate of a Party.

"Working Interest" shall mean, with respect to a Well or Lease, the interest in and to such Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

[Signature Page Follows]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Transfer Time.

ASSIGNOR:

HUNT OIL COMPANY

By: 
Bill Rex
Vice President

STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

This instrument was acknowledged before me on this 17th day of May 2012, by Bill Rex, Vice President of Hunt Oil Company, a Delaware corporation, on behalf of said corporation.





Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

[Signature Page to Assignment]

ASSIGNEE:

MARUBENI EAGLE FORD LP

By: Marubeni Shale Investment GP LLC,
its general partner

By: 
Keiichiro Mano
Vice President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 17th day of May, 2012, by Keiichiro Mano, Vice President of Marubeni Shale Investment GP LLC, a Delaware limited liability company and general partner of Marubeni Eagle Ford LP, a Texas limited partnership, on behalf of said limited partnership.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

EXHIBIT A
EAGLE FORD LEASES AND WELLS

Exhibit A-1: Leases: See attached spreadsheet.

Exhibit A-2: Wells: See attached spreadsheet.

**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres
HL086574	00	SOUTH TEXAS SYNDICATE TRUST	TEXAS LONE STAR PETR	03/15/06	03/15/13	683.48 ACS, GWT&P RR CO SVY, A-534, M E LANE SVY,	MCMULLEN	Vol 444, Pg 459	683.480	341.740
HL086570	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	3094.077 ACS, AMEND. 1/6/11 TO 4,888.368 ACS, LASALLE & McMULLEN COS., TX BEING IN E. M. Rudder Svy No. 503, A-938, CCSD&RGNG RR, H&OB RR CO SVY NO 29, A-584, M E LANE SVY NO 6, A-620, M E LANE SVY NO 4, A-619, GWT&P RR CO SVY NO 5, 10, A-688, J W LANE SVY NO 26, A-693, J W LANE SVY NO 18, A-692, GWT&P RR CO SVY NO 17, A-540, S O PETTUS SVY NO 4, A-353, J I DIAZ SVY NO 3, A-175 AND E M RUDDER SVY, NO 506, A-939 CO SVY NO 45, 596	LASALLE / MCMULLEN	Vol 448, Pg 148, Doc 62192; Vol 459, Pg 55, Doc 78912	3094.077	1547.039
HL086575	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	02/26/07	02/26/13	2371.205 ACS, AMENDED 1/61/11 TO 1,707.555 ACS BEING IN GWT&P RR CO SVY NO 11, A-537, GWT&P RR CO SVY NO 13, A-538, GWT&P RR CO SVY NO 7 A-533, BS&F SVY NO 1, A-577, M E LANE SVY NO 8, A-621, M E LANE SVY NO 30, A-622 AND CCSD&RGNG RR CO SVY NO 759, A-851	LASALLE / MCMULLEN	Vol 451, Pg 136, Doc 62602; Vol 461, Pg 525, Doc 79395	1707.555	853.778

71763 BK OFR Vol 31 Pg 14

Exhibit A-2**Wells**

Well	API Number	WI	NRI	Operator	Spud Date
STS A-1391 #1H	42283323000000	0.5000	0.3731	HOC	7/14/2010
STS A-1391 #2H	42283326480000	0.5000	0.3731	HOC	6/18/2011
STS A-692 #1H	42311346010000	0.5000	0.3731	HOC	8/22/2011
STS A-692 #2H	42311346500000	0.5000	0.3731	HOC	10/6/2011
STS A-1391 #3H	42283328720000	0.5000	0.3731	HOC	11/20/2011
STS A-1391 #4H	42283329710000	0.5000	0.3731	HOC	TBD

EXHIBIT B
CONVEYED DEPTHS

All depths included in the interval from the surface to the correlative stratigraphic equivalent of the depth that is 100 feet below the base of the Buda Formation as such formation is defined in the Array Induction Log run on September 12, 2011, for the Hunt Oil Company Zaiontz #1H Well, Andres Hernandez Survey, A-17, Wilson County, Texas, API # 42-493-32599. The base of the Buda Formation is defined at a measured depth of 7972 feet in said well.

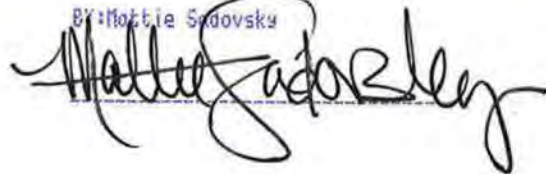
FILED FOR RECORD

This Jun 08, 2012 at 12:59P
HONORABLE DORAIRENE GARZA
CLERK COUNTY COURT McMULLEN CO., TX
BY: Mattie Sadovsky

THE STATE OF TEXAS
COUNTY OF McMULLEN
I, HONORABLE DORAIRENE GARZA, Clerk of the County Court
of said county, do hereby certify that the foregoing
instrument of writing, with its certificate of
authentication was filed for record in my office
this Jun 08, 2012 at 12:59P and duly recorded the
Jun 08, 2012 in the McMullen County Records of said
County, in VOL 31 on PAGE 1.
Witness my hand and the seal of the County Court of said
County at the office in TILDEN, TEXAS
the day and year last above written.

HONORABLE DORAIRENE GARZA
CLERK, COUNTY COURT, McMULLEN COUNTY, TEXAS

BY: Mattie Sadovsky



After Recording please return to:
 Susie Maldonado
 Hunt Oil Company
 1900 North Akard Street
 Dallas, TX 75201-2300

After recorded return to:
 Marubeni Eagle Ford LP
 2800 Post Oak Blvd., Suite 6000
 Houston, TX 77056
 Attn: Mr. Keiichiro Mano

STATE OF TEXAS)
)
 COUNTY OF LASALLE)

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "*Assignment*"), dated May 17, 2012 and effective as of 12:01 a.m. (Central Standard Time) on December 28, 2011 (the "*Transfer Time*"), is by and between Hunt Oil Company, a Delaware corporation ("*Assignor*"), and Marubeni Eagle Ford LP, a Texas limited partnership ("*Assignee*"). Assignor and Assignee are sometimes referred to herein individually as a "*Party*" and collectively as the "*Parties.*"

For and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

ARTICLE I ASSIGNMENTS

Section 1.1 *Assignment.* Subject to the reservation of Seller's Retained ORRI set forth in Section 1.2, Assignor does hereby forever GRANT, BARGAIN, SELL, CONVEY,

ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee an undivided 35% of all of Assignor's right, title and interest in and to the following properties and assets (such right, title and interest of Assignor in and to the following properties and assets are collectively called the "**Assets**" and individually called an "**Asset**", and such undivided 35% of the Assets, excluding the Excluded Assets, is collectively called the "**Conveyed Interests**"):

(a) the oil and gas leases described in Exhibit A-1 (collectively, the "**Leases**") (insofar as such Leases pertain to the Conveyed Depths), together with any and all other rights, titles, and interests of Assignor in and to (i) the leasehold estates created thereby and (ii) the lands covered by the Leases or included in pooled acreage, communitized acreage or units with which the Leases may have been pooled, communitized or unitized (the "**Lands**"), including in each case fee interests, fee mineral interests, subleases, mineral servitudes, royalty interests, overriding royalty interests, production payments, net profits interests, carried interests, reversionary interests, and all other interests of any kind or character;

(b) all oil, gas, water, disposal or injection wells located on the Leases and the Lands or on other leases or lands with which the Leases and/or the Lands may have been pooled, communitized or unitized, including the wells set forth on Exhibit A-2, to the extent producing from, or injecting waste from, the Conveyed Depths (the "**Wells**" and together with the Leases and the Lands, the "**Properties**");

(c) all easements, surface use agreements, surface leases, surface fee interests, Permits, servitudes, rights-of-way and similar rights and interests applicable to, or used or useful in connection with, the Properties or the Facilities, in each case, to the extent the terms of such rights and interests (or applicable Law) allow a partial interest thereof to be assigned (the "**Rights-of-Way**");

(d) all rights and interests in, under, or derived from all unitization, communitization and pooling agreements in effect with respect to the Properties and the units created thereby that accrue or are attributable to the interests of Assignor in the Properties;

(e) to the extent assignable (with consent, if applicable) all Applicable Contracts;

(f) all Hydrocarbons, produced from or attributable to, the Wells;

(g) all equipment, machinery, fixtures, and other real, personal, and mixed property, operational and nonoperational, primarily used or held for use in connection with the Wells, including well equipment, casing, rods, tanks, boilers, tubing, pumps, motors, fixtures, machinery, compression equipment, flowlines, pipelines, gathering systems, processing, dehydration, liquification and separation facilities, storage facilities, drillsite pads, water and mud pits and containment facilities, structures, materials, and other items used or held for use in the operation thereof ("**Facilities**");

(h) all proprietary Geoscientific Data set forth on Schedule 4 to the Purchase Agreement, *provided* that Assignee's use of such proprietary Geoscientific Data shall be limited to development of the Joint Interests and such Geoscientific Data may not be assigned directly or indirectly to any other Person without Assignor's consent;

(i) digital or hard copies (at Assignee's cost and upon request) of, and the right to use and transfer such copies of, any files, records, information and data of Assignor relating solely to the Conveyed Interests described in Section 1.1(a)-(h) and (j)-(l), including: (i) land and title records (including abstracts of title, title opinions, and title curative documents); (ii) contract files; (iii) correspondence; (iv) maps, engineering data and reports; (v) log books and Operating Data; and (vi) facility and well records, but in each case excluding any information that cannot, without unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets or information subject to binding Third Party confidentiality obligations ("**Records**");

(j) all Imbalances from and after the Transfer Time;

(k) all liens and security interests securing payment for the sale or other disposition of Hydrocarbons produced from or allocated to the Properties, including the security interests granted under Texas Uniform Commercial Code § 9.343, but only to the extent that such liens and security interests relate to the other Conveyed Interests during the period from and after the Transfer Time; and

(l) all claims, rights and causes of action, including warranty claims, against any Third Party or Affiliate of Assignor, whether asserted or unasserted, known or unknown.

EXCEPTING AND RESERVING to Assignor, however, the Excluded Assets (including Seller's Retained ORRI).

TO HAVE AND TO HOLD the Conveyed Interests unto Assignee and its successors and assigns, forever, subject to the covenants, terms and conditions set forth herein.

Section 1.2 Assignor's Retained Overriding Royalty Interest. Notwithstanding anything to the contrary in this Assignment, Assignor hereby excepts and reserves an overriding royalty interest in each Lease equal to the positive difference, if any, between (a) 25% and (b) all existing burdens payable out of production (including royalty interests, overriding royalty interests, carried interests, production payments and other similar burdens) under such Lease ("**Seller's Retained ORRI**"); *provided, however*, that Seller's Retained ORRI shall be proportionately reduced on a Lease by Lease basis to the extent (x) such Lease covers less than the entire undivided oil and gas mineral fee estate in and under lands covered by such Lease or (y) the interest in any such Lease is less than the entire oil and gas leasehold estate created by such Lease; and, *provided, further, however*, that if the royalty interest payable to lessors or similar burdens with respect to any such Lease increase at a subsequent date, Seller's Retained ORRI shall be recalculated as set forth in the first sentence hereof to take such increase into account. For example, assuming no proportionate reduction is necessary (i.e., Hunt owns 100% of the Working Interest in a Lease that covers 100% of the oil and gas mineral fee estate), if the sum of the royalty interests and similar burdens with respect to a Lease prior to giving effect to the conveyance of such Lease to Assignee equals 20%, the portion of Seller's Retained ORRI burdening Assignee's interest in such Lease would be calculated as follows: $(.25 - .20) \times .35 = 1.75\%$. If the sum of the royalty interests and similar burdens with respect to such Lease subsequently increased to 22%, the portion of Seller's Retained ORRI burdening Assignee's

interest in such Lease would be reduced as follows: $(.25-.22) \times .35 = 1.05\%$. Seller's Retained ORRI is and shall be, during the term of each present valid subsisting Lease that is burdened by Seller's Retained ORRI, free and clear of, and shall not be charged with any costs of drilling, completing, equipping and operating any wells located on such Lease, but Seller's Retained ORRI shall bear its proportionate part of all ad valorem, severance, excise and production taxes.

Section 1.3 Excluded Assets. Notwithstanding anything to the contrary in this Assignment, Assignor (and its Affiliates) shall reserve and retain the Excluded Assets, all of which are excluded from the Conveyed Interests and other rights to be conveyed to Assignee hereunder, and Assignee shall have no interest in, to or under any Excluded Asset.

Section 1.4 Pooling. Assignee may voluntarily pool, communitize or unitize Seller's Retained ORRI with the Leases and other leases and lands without the consent of Assignor.

Section 1.5 No Obligations. No obligation, either express or implied, shall arise by reason of Seller's Retained ORRI that would obligate Assignee to develop or produce the Lands or to keep and maintain the Leases in force and effect.

ARTICLE II SPECIAL WARRANTY; DISCLAIMERS

Section 2.1 Special Warranty benefitting Assignee. Assignor shall warrant and forever defend title to the Properties unto Assignee against the claims and demands of all Persons claiming, or to claim the same, or any part thereof, by, through or under Assignor, but not otherwise. Assignor hereby assigns all covenants and warranties and the right to enforce all rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests, and Assignee is specifically subrogated to Assignor's interests in all rights relating thereto that Assignor may have, to the extent Assignor may legally transfer such rights and grant such subrogation. Assignor warrants to Assignee that Assignor has not granted, created or reserved any overriding royalty, net profits interest, carried interest, production payment, reversionary interest, or similar burden that would result in the Net Revenue Interest in any Lease or Well owned by Assignee immediately after giving effect to this Assignment to be less than 35% multiplied by 74.625% (such 74.625% proportionally reduced to the extent that the Working Interest in such Lease or Well owned by Assignor immediately prior to giving effect to this Assignment is less than the entire Working Interest in such Lease or Well). The Parties agree to reasonably cooperate with each other in asserting any rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests.

Section 2.2 Disclaimers.

(a) EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE V OF THE PURCHASE AGREEMENT OR SECTION 2.1, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF

THE ASSETS AND (III) THOSE ITEMS SET FORTH IN THE PURCHASE AGREEMENT (INCLUDING THOSE ITEMS SET FORTH IN SECTION 7.7 THEREOF). EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN SECTION 2.1, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS OF THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, AS ASSIGNEE DEEMS APPROPRIATE.

(b) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 2.2 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE III ASSUMED OBLIGATIONS

Section 3.1 *Assumed Obligations.* Assignor (subject, in each case described below, to the terms of the Purchase Agreement) (a) is taking the Conveyed Interests subject to Permitted Encumbrances, (b) assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the Assumed Obligations to the extent related to the Conveyed Interests, and (c) is taking the Conveyed Interests subject to the terms and conditions of all of the Applicable Contracts to the extent related to the Conveyed Interests, and hereby assumes and agrees to fulfill, perform, pay and discharge all obligations arising or related thereto and attributable thereunder to Assignor.

ARTICLE IV MISCELLANEOUS

Section 4.1 *Separate Assignments.* Where separate assignments of the Conveyed Interests have been or will be executed for filing with, and approval by, applicable Governmental Authorities, any such separate assignments (a) shall evidence this Assignment and assignment of the applicable Conveyed Interests herein made and shall not constitute any additional Assignment or assignment of the Conveyed Interests, (b) are not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the Purchase Agreement and are not intended to create, and shall not create, any representations, warranties or additional covenants of or by the Parties, except for the special warranty of title benefitting Assignee, as set forth in Section 2.1, and (c) shall be deemed to

contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate assignments.

Section 4.2 *Purchase Agreement.* This Assignment is delivered pursuant to the Purchase Agreement. The Purchase Agreement contains certain representations, warranties and agreements of and between the Parties, some of which survive the delivery of this Assignment, as provided for therein and shall not be merged into this Assignment or be otherwise negated by the execution or delivery of this Assignment. This Assignment shall not be construed to amend the Purchase Agreement or vary the rights or obligations of either Assignor or Assignee from those set forth in the Purchase Agreement.

Section 4.3 *Governing Law.* This Assignment and the legal relations between the Parties shall be governed and construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer construction of such provisions to the laws of another jurisdiction.

Section 4.4 *Successors and Assigns.* The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective legal representatives, successors, and assigns.

Section 4.5 *Interpretation.* In construing this Assignment: (a) no consideration shall be given to the captions of the Articles, Sections, subsections or clauses, which are inserted for convenience in locating the provisions of this Assignment and not as an aid to construction and shall not be interpreted to limit or otherwise affect the provisions of this Assignment, (b) no consideration shall be given to the fact or presumption that either Party had a greater or lesser hand in drafting this Assignment, (c) the plural shall be deemed to include the singular, and vice versa, (d) each Exhibit to this Assignment is part of this Assignment, (e) each Exhibit attached to this Assignment shall be deemed incorporated herein as if set forth in full herein, and (f) all references in this Assignment to Exhibits, Articles, and Sections refer to the corresponding Exhibits to, Articles of, and Sections of this Assignment unless expressly provided otherwise.

Section 4.6 *Counterparts.* This Assignment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one assignment.

Section 4.7 *Further Assurances.* Assignor covenants and agrees to execute and deliver, or shall cause to be executed and delivered from time to time, such further instruments of conveyance and transfer, and shall take such other actions as Assignee may reasonably request, to convey and deliver the Conveyed Interests to Assignee, to perfect Assignee's record title thereto, and to accomplish the orderly partial transfer of the Conveyed Interests to Assignee in the manner contemplated by this Assignment.

ARTICLE V DEFINED TERMS

Section 5.1 *Defined Terms.* In addition to the terms defined elsewhere in this Assignment, for purposes hereof, the terms defined in this Section 5.1, when used in this Assignment, shall have the meanings set forth in this Section 5.1.

"Affiliate" shall mean with respect to a Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. The term **"control"** and its derivatives with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Contract" shall mean, to the extent they relate to the Conveyed Interests and Assignor is a party, all Contracts (i) by which any of the Properties are bound or (ii) that primarily relate to the Properties or other Conveyed Interests and (in each case) that will be binding on Assignee after giving effect to this Assignment, including farmin and farmout agreements; surface use agreements, bottomhole agreements; crude oil, condensate, and natural gas purchase and sale agreements; gathering, transportation, and marketing agreements; hydrocarbon storage agreements, acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; facilities or equipment leases; crossing agreements; letters of no objection; production handling and water use agreements; and other similar contracts and agreements, but exclusive of (x) any master service agreements or (y) contract or agreement relating to seismic data and information.

"Assumed Obligations" shall mean all obligations and liabilities, known or unknown, related to or arising out of the Conveyed Interests, regardless of whether such obligations or liabilities arose prior to or after the Transfer Time; *provided* that the Assumed Obligations shall not include any Retained Liabilities (as defined in the Purchase Agreement).

"Conveyed Depths" shall have the meaning set forth in Exhibit B.

"Contract" shall mean any written or oral contract, agreement, agreement regarding indebtedness, indenture, debenture, note, bond, loan, lease, mortgage, franchise, license agreement, purchase order, binding bid, commitment, letter of credit or any other legally binding arrangement. The definition of **"Contract"** shall not include any Lease, easement, right-of-way, crossing agreement, Permit or other instrument (other than acquisition, sales or purchase agreements) creating or evidencing an interest in the Conveyed Interests that constitutes real or immovable property related to or used in connection with the operations of any Conveyed Interests.

"Effective Time" shall mean 6:59 a.m. (Central Standard Time) on January 1, 2012.

"Excluded Assets" shall mean all right, title and interest of Assignor or any of its Affiliates in and to any property, right or asset not expressly included in the definition of "Conveyed Interests" including: (i) all corporate minute books, financial, Tax and accounting records that relate to Assignor's business generally (excluding copies of historical accounting records to the extent relating to the Conveyed Interests and separable from Assignor's records on a commercially reasonable basis); (ii) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time; (iii) except to the extent related to an Assumed Obligation, all rights and interests of Assignor (a) under any policy or agreement of insurance or indemnity, (b) under any

bond or (c) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property prior to the Transfer Time; (iv) all right, title and interest in any oil and gas or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests in oil, gas and other minerals relating to the Excluded Depths (except insofar as such interests pertain to the Conveyed Depths); (v) all Hydrocarbons produced and sold from the Properties with respect to all periods prior to the Effective Time and all proceeds attributable thereto; (vi) all claims for refunds of or loss carry forwards with respect to (a) Taxes for which Assignor is responsible pursuant to Section 8.4 of the Purchase Agreement, (b) income or franchise taxes of Assignor attributable to any period (or portion thereof) on or prior to the Transfer Time, or (c) any taxes attributable to the Excluded Assets; (vii) all of Assignor's proprietary computer software, patents, trade secrets, copyrights, names, trademarks and logos and all other intellectual property of any kind (other than the Geoscientific Data listed on Schedule 4 to the Purchase Agreement); (viii) all documents and instruments that are protected by an attorney-client privilege or that are work product of counsel (other than title opinions relating solely to the Conveyed Interests); (ix) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with Third Parties to the extent consent for disclosure is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (x) all licensed seismic data and related information relating to the Assets that requires Third Party consent for partial assignment to Assignee if such consent is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (xi) documents prepared or received by Assignor or its Affiliates with respect to (a) lists of prospective purchasers for transactions compiled by Assignor or its Affiliates, (b) bids submitted by other prospective purchasers of the Conveyed Interests, (c) analyses by Assignor or its Affiliates of any bids submitted by any prospective purchaser, (d) correspondence between or among Assignor, its Affiliates and its and their respective representatives, and any prospective purchaser, and (e) correspondence between Assignor or its Affiliates or any of its or their respective representatives with respect to any of the bids, the prospective purchasers, or the transactions contemplated in this Assignment, the Purchase Agreement or the other Related Agreements; (xii) any offices, office leases or personal property not directly related and necessary to the production of Hydrocarbons from the Properties (for example, trucks and computers); (xiii) any Conveyed Interests that are excluded from the transaction contemplated by the Purchase Agreement by virtue of any provisions hereof or thereof (including Properties re-conveyed to Assignor pursuant to Section 3.2 or Section 3.4(c) of the Purchase Agreement); (xiv) Assignor's bonds; (xv) any amounts in suspense as of the Transfer Time; (xvi) all Imbalances relating to the Properties or other Conveyed Interests arising before the Transfer Time; (xvii) originals and copies of all Records, subject to Assignee's right to obtain a copy of such Records at its sole cost and expense pursuant to Section 1.1(i); and (xviii) all rights arising under or attributable to the Retained Interests, including the right to use all or any portion of the Retained Interests in respect of the ownership, development, operation and production of the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths), including the non-exclusive right of ingress and egress across the Assets and through the Conveyed Depths and the non-exclusive right to use the Rights-of-Way in respect of the ownership, development, operation and production of the Excluded Depths and the gathering, storage, transportation and marketing of

Hydrocarbons produced from the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths). For the avoidance of doubt, Assignor's interest in the Retained Interests, including Seller's Retained ORRI, are Excluded Assets.

"Excluded Depths" shall mean any oil and gas horizons underlying the surface of the Lands covered by the Leases that are not expressly included in the definition of ***"Conveyed Depths."***

"Geoscientific Data" shall mean all geological, geographical and/or geophysical maps, surveys, field tapes, data, processings, interpretations, prospects, and other related information owned by Assignor or its Affiliate and to the extent relating to the Conveyed Interests.

"Governmental Authority" shall mean any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

"Hydrocarbons" shall mean oil and gas and other hydrocarbons produced or processed in association therewith.

"Imbalance" shall mean any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well and allocated to the interests of Assignor therein and the shares of production from the relevant Well to which Assignor was entitled, or at the pipeline flange between the amount of Hydrocarbons nominated by or allocated to Assignor and the Hydrocarbons actually delivered on behalf of Assignor at that point.

"Joint Interest" shall have the meaning set forth in the Purchase Agreement.

"Law" shall mean any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority.

"Net Revenue Interest" with respect to any Well or Lease, shall mean the interest in and to all Hydrocarbons produced, saved, and sold from or allocated to such Well or Lease, after giving effect to all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests, and other burdens upon, measured by, or payable out of production therefrom.

"Oil and Gas Leases" shall have the meaning set forth in the Purchase Agreement.

"Operating Data" shall mean operations, environmental and production data (including operational and technical work product) to the extent relating to the Conveyed Interests, but in each case excluding any information that cannot, without commercially unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets.

"Permit" shall mean any permit, consent, authorization, approval, registration, license, exemption, certificate, order, waiver, franchise, variance, right, or other authorization granted by or obtained from any Governmental Authority.

"Permitted Encumbrances" shall have the meaning set forth in the Purchase Agreement.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"Purchase Agreement" shall mean the Purchase and Sale Agreement, dated December 28, 2011, by and between Assignor and Assignee.

"Related Agreements" shall have the meaning set forth in the Purchase Agreement.

"Retained Interests" shall mean the 65% undivided interest in and to the Assets held by Assignor after giving effect to the purchase and sale of the Conveyed Interests, along with the Seller's Retained ORRI, as contemplated by Section 1.2 and shall include (i) all right, title and interest held by Assignor that is held as a tenant in common with Assignee after the Transfer Time and (ii) all production of Hydrocarbons related thereto.

"Tax" shall have the meaning set forth in the Purchase Agreement.

"Third Party" shall mean any Person other than a Party or an Affiliate of a Party.

"Working Interest" shall mean, with respect to a Well or Lease, the interest in and to such Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

[Signature Page Follows]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Transfer Time.

ASSIGNOR:

HUNT OIL COMPANY

By: 
Bill Rex
Vice President

STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

This instrument was acknowledged before me on this 17th day of May 2012, by Bill Rex, Vice President of Hunt Oil Company, a Delaware corporation, on behalf of said corporation.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

000997283 BK

Vol 611


Pg 79

[Signature Page to Assignment]

ASSIGNEE:

MARUBENI EAGLE FORD LP

By: Marubeni Shale Investment GP LLC,
its general partner

By: 
Keiichiro Mano
Vice President

STATE OF TEXAS

§

§

COUNTY OF HARRIS

§

This instrument was acknowledged before me on this 17th day of May, 2012, by Keiichiro Mano, Vice President of Marubeni Shale Investment GP LLC, a Delaware limited liability company and general partner of Marubeni Eagle Ford LP, a Texas limited partnership, on behalf of said limited partnership.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

[Signature Page to Assignment]

Plaintiff's App. 00982

00895283

Bk

891

F9

EXHIBIT A
EAGLE FORD LEASES AND WELLS

Exhibit A-1: Leases: See attached spreadsheet.

Exhibit A-2: Wells: See attached spreadsheet.

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**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres
HL086570	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	3094.077 ACS, AMEND. 1/6/11 TO 4,888.368 ACS, LASALLE & McMULLEN COS., TX BEING IN E. M. Rudder Svy No. 503, A-938, CCSD&RGNG RR, H&OB RR CO SVY NO 29, A-584, M E LANE SVY NO 6, A-620, M E LANE SVY NO 4, A-619, GWT&P RR CO SVY NO 5, A-534, M E LANE SVY NO 10, A-688, J W LANE SVY NO 26, A-693, J W LANE SVY NO 18, A-692, GWT&P RR CO SVY A-540, S O PETTUS SVY NO 4, A-353, J I DIAZ SVY NO 3, A-175 AND E M RUDDER SVY, NO 506, A-939 CO SVY NO 45, 596	LASALLE / MCMULLEN	Vol 448, Pg 148, Doc 62192; Vol 459, Pg 55, Doc 78912	3094.077	1547.039
HL086573	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	4224.7175 ACS, LASALLE CO BEING IN H&GN RR CO SVY, NO 41, A-220, S HUMMEL SVY NO 42, A-1391, G W VON ROEDER SVY NO 34, A-1314, H&GN RR CO SVY NO 33, A-216, H&GN RR CO SVY NO 247, A-322, R CURTIS SVY NO 248, A-1138, H&NG RR CO SVY NO 249, A-323, CCSD & RCNG RR CO SVY NO 757, A-850 AND H&GN RR CO SVY NO 35, A-217	LASALLE	Vol 459, Pg 53, Doc 78911	4888.368	2444.184

**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres ⁶
HL086575	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	02/26/07	02/26/13	2371.205 ACS, AMENDED 1/61/11 TO 1,707.555 ACS BEING IN GWT&P RR CO SVY NO 11,A-537, GWT&P RR CO SVY NO 13,A-538, GWT&P RR CO SVY NO 7 A-533, BS&F SVY NO 1, A-577, M E LANE SVY NO 8, A-621, M E LANE SVY NO 30, A-622 AND CCSD&RGNG RR CO SVY NO 759, A-851	LASALLE / MCMULLEN	Vol 451, Pg 136, Doc 62602; Vol 461, Pg 525, Doc 79395	1707.555	853.778

Exhibit A-2**Wells**

Well	API Number	WI	NRI	Operator	Spud Date
STS A-1391 #1H	42283323000000	0.5000	0.3731	HOC	7/14/2010
STS A-1391 #2H	42283326480000	0.5000	0.3731	HOC	6/18/2011
STS A-692 #1H	42311346010000	0.5000	0.3731	HOC	8/22/2011
STS A-692 #2H	42311346500000	0.5000	0.3731	HOC	10/6/2011
STS A-1391 #3H	42283328720000	0.5000	0.3731	HOC	11/20/2011
STS A-1391 #4H	42283329710000	0.5000	0.3731	HOC	TBD

EXHIBIT B
CONVEYED DEPTHS

All depths included in the interval from the surface to the correlative stratigraphic equivalent of the depth that is 100 feet below the base of the Buda Formation as such formation is defined in the Array Induction Log run on September 12, 2011, for the Hunt Oil Company Zaiontz #1H Well, Andres Hernandez Survey, A-17, Wilson County, Texas, API # 42-493-32599. The base of the Buda Formation is defined at a measured depth of 7972 feet in said well.



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Demand for Eagle Ford acreage continues as Marubeni buys share from Hunt Oil

January 9, 2012
 By Mikaila Adams
 OGFJ Senior Associate Editor

Marubeni Corp. recently became Japan's largest owner of American shale oil acreage when it announced it had acquired nearly 52,000 net acres in the [Eagle Ford Shale](#) from Hunt Oil.

The Japanese trading company recently signed a deal with Dallas-based Hunt in which it will acquire a 35% working interest in oil and gas leases in South Texas' liquids-rich unconventional resources play.

Privately-held Hunt, coming in at No. 13 in the [OGFJ100P](#) listing of privately held companies, holds acreage throughout the play, but, according to Global Hunter Securities (GHS) in a note to investors January 6, records indicate they've only drilled three Eagle Ford wells, located in LaSalle, Gonzales, and Wilson Counties.

Perhaps this agreement will change that as the two companies plan to drill several hundred wells in the next five to ten years. Together, the companies will also look to jointly acquire additional acreage in the play.

While the acquisition cost was not reported, Evaluate Energy estimates total development costs (including acquisition costs on Marubeni's share basis) of nearly US\$ 1.3 billion.

GHS' estimates backed up the possible transaction costs, noting Marubeni paid roughly \$1.3 billion or approximately \$25,000 per acre on an acreage-only basis from the private operator, an amount much higher than its estimated [\\$5,000 per acre it paid to Marathon Oil Corp.](#) for a portion of its [Niobrara Shale](#)-focused acreage back in April 2011.

Excitement surrounding the liquids-rich Eagle Ford has certainly been palatable. Evaluate Energy calls the Eagle Ford "2011's most expensive shale play (averaging at \$10,000 per undeveloped acre)," and, according to GHS analysts, this most recent transaction "shows that demand to gain a stake in Eagle Ford isn't cooling."

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Foreign buyers, unconventional assets dominate deals

02/01/2012The largest deal of the 30-day period from mid-December to mid-January involves a Chinese firm and emerging North American unconventional plays.

OGFJ100P company update

01/01/2012 Independent research firm IHS Herold Inc. has provided OGFJ with updated production data for our periodic ranking of US-based private E&P companies.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

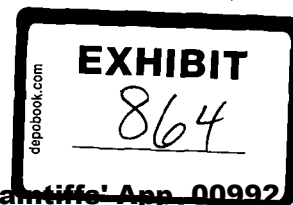
Petrohawk Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):



(4) _____
Proposed maximum aggregate value of transaction:

(5) _____
Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) _____
Form, Schedule or Registration Statement No.:

(3) _____
Filing Party:

(4) _____
Date Filed:



Petrohawk Energy Corporation

1000 Louisiana, Suite 5600
Houston, Texas 77002
Telephone (832) 204-2700

**Annual meeting of stockholders
to be held on May 18, 2011**

April 16, 2011

Dear Stockholder:

You are cordially invited to attend Petrohawk Energy Corporation's 2011 annual meeting of stockholders on Wednesday, May 18, 2011, at 10:00 a.m., Central Daylight Time, to be held at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002.

The enclosed notice of annual meeting and the proxy statement describe the matters to be acted upon during the meeting. In addition, there will be a report on the state of Petrohawk's business and an opportunity for you to ask questions of Petrohawk's management.

You may vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card or by voting your shares in person at the meeting. The proxy card describes your voting options in more detail. If you need assistance, please contact Joan Dunlap, Vice President—Investor Relations, at (832) 204-2737. Our annual report to the stockholders including our annual report on Form 10-K for the fiscal year ended December 31, 2010 also accompanies the proxy statement.

The annual meeting gives us an opportunity to review Petrohawk's results and discuss the steps Petrohawk has taken to position itself for the future. We appreciate your ownership of Petrohawk common stock, and I hope you will be able to join us at the annual meeting.

Sincerely,

A handwritten signature in black ink that reads "Floyd C. Wilson".

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*



Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 18, 2011**

Notice is hereby given that the annual meeting of stockholders of Petrohawk Energy Corporation will be held on Wednesday, May 18, 2011 at 10:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002, for the following purposes:

1. To elect three directors to our board of directors to serve as Class I directors in accordance with our bylaws;
2. To approve, in a nonbinding advisory vote, the compensation of our named executive officers;
3. To determine, in a non-binding advisory vote, whether a stockholder vote to approve the compensation of our named executive officers should occur every one, two or three years;
4. To approve amendments to our Third Amended and Restated 2004 Employee Incentive Plan;
5. To ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our independent registered public accountants for the fiscal year ending December 31, 2011; and
6. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

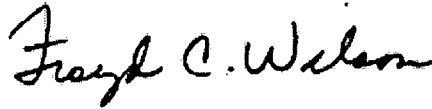
The board of directors has approved the close of business on March 31, 2011, as the record date for determining the stockholders of Petrohawk entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of our stockholders entitled to vote at the meeting will be available for examination at our offices in Houston, Texas during ordinary business hours for a period of ten (10) days prior to the meeting.

All stockholders are cordially invited to attend the meeting. Whether or not you expect to attend the annual meeting in person, please submit a proxy as soon as possible. In order to submit a proxy, please call the toll-free number listed on the enclosed proxy card, use the Internet as described on the enclosed proxy card, or complete, date and sign the enclosed proxy card and return it in the enclosed envelope, which requires no additional postage if mailed in the United States. If you attend the meeting, and if you so choose, you may withdraw your proxy and vote in person. If your shares are held in "street name" by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast for the election of directors or the approval of executive compensation matters unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Please review the proxy statement

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accompanying this notice for more complete information regarding the matters to be voted on at the meeting. You may revoke your proxy at any time before it is voted.

By order of the Board of Directors of
Petrohawk Energy Corporation:

A handwritten signature in black ink, reading "Floyd C. Wilson". The signature is written in a cursive style with a large, stylized "F" and "W".

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*

April 16, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2011.**

Petrohawk's Proxy Statement for the 2011 Annual Meeting of Stockholders, the Annual Report to Stockholders for the fiscal year ended December 31, 2010 and the Company's Annual Report on Form 10-K for the year ended December 31, 2010 are available at

<http://www.amstock.com/ProxyServices/ViewMaterials.asp?CoNumber=14076>.

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Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

PROXY STATEMENT

**FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 18, 2011**

GENERAL INFORMATION

These proxy materials are furnished to you in connection with the solicitation of proxies by the board of directors of Petrohawk Energy Corporation, a Delaware corporation (referred to in this proxy statement as Petrohawk, the Company, we, us, or our) for the annual meeting of our stockholders to be held on Wednesday, May 18, 2011 at 10:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002. The proxies also may be voted at any adjournments or postponements of the annual meeting.

This proxy statement, together with our annual report to the stockholders including our annual report on Form 10-K for the year ended December 31, 2010, are being mailed on or about April 16, 2011 to holders of record of our common stock as of March 31, 2011. The specific proposals to be considered and voted upon at the annual meeting are summarized in the notice of annual meeting of stockholders. Each proposal is described in more detail in this proxy statement.

Voting and Revocation of Proxies

If you provide specific voting instructions, your shares will be voted as you instruct. Whether you hold shares directly as a stockholder of record, or beneficially in street name, you may direct how your shares are voted at the annual meeting. If you are a stockholder of record, you may vote by submitting a proxy or by voting in person at the annual meeting, and if you hold your shares in street name, you may vote by submitting voting instructions to your broker or trustee or nominee. You may cast your vote by proxy as follows:

- By Internet—you may vote using the Internet and voting at the website listed on the enclosed proxy/voting instruction card, or the "proxy card";
- By telephone—you may vote by using the toll-free telephone number listed on the enclosed proxy card; or
- By mailing the proxy card—you may vote by completing, signing, dating and mailing the enclosed proxy card in the enclosed pre-addressed postage-paid envelope.

Unless you otherwise direct in your proxy, the individuals named in the proxy card will vote the shares represented by such proxy in accordance with the recommendations of our Board unless otherwise indicated. If you hold your shares in street name, please refer to the proxy card forwarded by your bank, broker, or other nominee to see which voting options are available to you and directions on how to vote. If you vote by Internet or by telephone, you need not return your proxy card. Proxies granted by telephone or over the Internet, in accordance with the procedures set forth on the proxy card, will be valid under Delaware law.

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If you sign the proxy card of your broker, trustee or other nominee but do not provide instructions, your shares will not be voted unless your broker, trustee or other nominee has discretionary authority to vote. When a broker, trustee, or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have authority to vote in the absence of timely instructions from the beneficial owner, this is referred to as a "broker non-vote." The New York Stock Exchange, or the NYSE, permits brokers to have discretionary authority to vote the shares of a beneficial owner in the ratification of Deloitte & Touche LLP ("Deloitte") as our independent registered public accountants. **NYSE rules provide that brokers do not have discretionary voting authority with respect to the election of directors, executive compensation matters or material revisions to the terms of an existing equity compensation plan. Out of the five proposals that will be brought to a vote at our 2011 annual meeting of stockholders, brokers will only have discretionary voting authority with respect to the ratification of the appointment of our registered independent public accountants. It is therefore very important that you indicate on the proxy card of your broker how you want your shares to be voted in the election of the three nominees named in this proxy statement and each of the other proposals to be voted upon at our 2011 annual meeting of stockholders.**

The board of directors is not aware of any business to be brought before the annual meeting other than as indicated in the notice of annual meeting of stockholders. If other matters do come before the meeting, the persons named in the proxy card will vote the shares represented by the proxy in his or her best judgment.

Revocation of Proxy. A proxy may be revoked by a stockholder at any time prior to it being voted by:

- delivering a revised proxy (by one of the methods described above) bearing a later date;
- voting in person at the annual meeting; or
- notifying our Secretary of the revocation in writing at our address set forth above in time to be received before the annual meeting.

Attendance at the meeting alone will not effectively revoke a previously executed and delivered proxy. If a proxy is properly executed and is not revoked by the stockholder, the shares it represents will be voted at the meeting in accordance with the instructions from the stockholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of our board of directors.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Record Date and Vote Required for Approval. The record date with respect to this solicitation is March 31, 2011. All holders of record of our common stock as of the close of business on March 31, 2011 are entitled to vote at the annual meeting and any adjournment or postponement thereof for which a new record date has not been established. As of March 31, 2011, we had 303,748,482 shares of common stock outstanding. Each share of common stock is entitled to one vote. Our stockholders do not have cumulative voting rights. In accordance with our bylaws, the holders of a majority of the outstanding shares of our common stock entitled to vote, represented in person or by proxy, shall constitute a quorum at the annual meeting. If a quorum is not present at the annual meeting, a vote for adjournment will be taken among the stockholders present or represented by proxy. If a majority of the stockholders present or represented by proxy vote for adjournment, it is our intention to adjourn the meeting until a later date and to vote proxies received at such adjourned meeting. The place and date to which the annual meeting would be adjourned would be announced at the meeting, but would in no event be expected to be more than 30 days after the date of the annual meeting.

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Assuming that a quorum is present, the affirmative vote of a plurality of the votes cast is required for the election of directors at the annual meeting. This means that the director nominees receiving the most affirmative votes are elected for the available board positions. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent that the failure to vote for an individual results in another candidate receiving a larger number of votes.

The vote to approve executive compensation will be approved on an advisory basis if it receives the affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy. The vote regarding frequency of a stockholder advisory vote on executive compensation will be determined on an advisory basis by whichever of the choices—annually, every other year or every three years—receives the greatest number of votes cast.

Delaware law and our bylaws provide that with respect to the remaining proposals, the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required for approval. Therefore, the approval of the proposed amendments to our Third Amended and Restated 2004 Employee Incentive Plan and the ratification of the appointment of Deloitte as our independent registered public accountants require the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on those matters.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on "non-routine" proposals. For purposes of our 2011 annual meeting, brokers will be prohibited from exercising discretionary authority with respect to all proposals except the ratification of the appointment of our independent registered public accountants. While broker non-votes are counted for the purposes of obtaining a quorum for the meeting, in tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote. Thus, assuming that a quorum is obtained, broker non-votes will not affect the outcome of any of the proposals. Abstentions are counted as "shares present" at the meeting for purposes of determining the presence of a quorum and entitled to vote with respect to any matters being voted upon at the meeting. Abstentions will have no effect on the outcome of the election of directors and the advisory vote on the frequency of executive compensation vote, but with respect to each of the remaining proposals, an abstention will operate to prevent the approval of such proposal to the same extent as a vote against such proposal.

Proxy Solicitation. We will bear all costs relating to the solicitation of proxies. We have retained Georgeson Inc. to aid in the solicitation of proxies, at an estimated cost of \$7,500 plus reimbursement of out-of-pocket expenses, custodial charges in connection with payment by Georgeson of charges of brokers and banks on our behalf, and additional charges which may be incurred in connection with the solicitation of proxies by telephone. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, we will pay brokers and other persons holding shares of stock in their names or in those of their nominees, which in each case are beneficially owned by others, for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

Submission of Stockholder Proposals. The deadline for submitting stockholder proposals for inclusion in our 2012 proxy statement and form of proxy for our annual meeting in 2012 is December 17, 2011. See "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders" below for additional information.

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We will provide to any stockholder, without charge and upon the written request of the stockholder, a copy (without exhibits, unless otherwise requested) of our annual report on Form 10-K as filed with the United States Securities and Exchange Commission (the "SEC") for our fiscal year ended December 31, 2010. Any such request should be directed to Joan Dunlap, Vice President—Investor Relations at 1000 Louisiana, Suite 5600, Houston, Texas 77002, telephone number: (832) 204-2737. The annual report to the stockholders accompanying this proxy statement including the annual report on Form 10-K for our fiscal year ended December 31, 2010 is not part of the proxy solicitation materials.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following sets forth beneficial ownership of our common stock by beneficial owners of more than five percent of our common stock as of March 31, 2011, based solely upon statements they have filed with the SEC pursuant to Sections 13(g) or 13(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Unless otherwise indicated, the named person below has the sole voting and dispositive powers with respect to the shares of our common stock set forth opposite such person's name.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	19,239,933 ⁽¹⁾	6.33%

- (1) According to, and based solely upon, Schedule 13G filed by BlackRock, Inc. with the SEC on February 8, 2011: BlackRock, Inc. has the sole power to vote or direct the vote with respect to 19,239,933 shares of Petrohawk common stock, and the sole power to direct the disposition of 19,239,933 shares of Petrohawk common stock. Various persons (other than BlackRock, Inc.) have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the 19,239,933 shares of Petrohawk common stock beneficially owned by BlackRock, Inc. No one such person's interest in Petrohawk common stock is more than five percent of the total number of Petrohawk common stock outstanding.

OUR BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our bylaws specify that we shall not have less than one nor more than eleven directors, and our board currently has nine members. Under our bylaws, each director holds office until the annual stockholders' meeting at which such director's class is up for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Our certificate of incorporation provides that our board of directors is classified into three classes: Class I, Class II and Class III, each class having a three-year term of office. As discussed more fully below under "Proposal I—Election of Directors," three of our current directors, Floyd C. Wilson, Gary A. Merriman and Robert C. Stone, Jr. have been nominated for reelection at our 2011 annual meeting because of the expiration of the term of their class, Class I, on our classified board of directors.

The following table sets forth the names and ages of all current directors, the positions and offices with us held by such persons, the years in which their current terms as directors expire and the length of their continuous service as a director:

Name	Director Since	Age	Position	Expiration of Term
Floyd C. Wilson	May 2004	64	Chairman of the Board and Chief Executive Officer	2011
James W. Christmas	July 2006	63	Vice Chairman of the Board	2012
Thomas R. Fuller	March 2006	63	Director	2012*
James L. Irish III	May 2004	66	Director	2012
Gary A. Merriman	July 2006	56	Director	2011
Robert G. Raynolds	July 2006	59	Director	2013
Stephen P. Smiley	April 2010	62	Director	2013
Robert C. Stone, Jr.	September 2000	62	Director	2011*
Christopher A. Viggiano	July 2006	57	Director	2013

* As a consequence of the resignation as director of Mr. Tucker S. Bridwell in December 2010, the number of our directors was reduced to nine, and Messrs. Fuller and Stone each advanced by one class, from 2013 to 2012 and 2012 to 2011, respectively (shortening their terms of office accordingly), so as to address the imbalance in the number of directors in each class.

Floyd C. Wilson has served as our Chairman of the Board and Chief Executive Officer since May 25, 2004. Mr. Wilson also served as our President from 2004 to 2009. Prior to May 2004, he was President and Chief Executive Officer of PHAWK, LLC, an oil and natural gas company that he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation, an oil and natural gas company with properties concentrated in East Texas and the Gulf Coast from August 1999 until its merger with Plains Exploration & Production Company in June 2003. In 1998, Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C., to make investments in oil and natural gas properties and companies, and he served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of Hugoton Energy Corporation in 1987, where he served as Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Wilson's contributions to the

board, determined that his role as the Company's Chief Executive Officer, his

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experience in the energy industry and his many years of service as a director and chief executive officer of oil and natural gas exploration and production companies provide significant contributions to the Company's board of directors.

James W. Christmas has served as a director since July 12, 2006, effective upon the merger of KCS Energy, Inc. ("KCS") into the Company. Mr. Christmas has served as Vice Chairman of the Board of Directors since July 12, 2006. He also serves on the Audit Committee and the Nominating and Corporate Governance Committee. He served as President and Chief Executive Officer of KCS from 1988 until April 2003 and Chairman of the Board and Chief Executive Officer of KCS until its merger into the Company. Mr. Christmas was a Certified Public Accountant in New York and was with Arthur Andersen & Co. from 1970 until 1978 before leaving to join National Utilities & Industries ("NUI"), a diversified energy company, as Vice President and Controller. He remained with NUI until 1988, when NUI spun out its unregulated activities that ultimately became part of KCS. As an auditor and audit manager, controller and in his role as CEO of KCS, Mr. Christmas was directly or indirectly responsible for financial reporting and compliance with SEC regulations, and as such has extensive experience in reviewing and evaluating financial reports, as well as in evaluating executive and board performance and in recruiting directors.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Christmas's contributions to the board, determined that his prior experience as an executive and director and his past audit, accounting and financial reporting experience provide significant contributions to the Company's board of directors.

Thomas R. Fuller has served as a director since March 6, 2006. Mr. Fuller serves on Petrohawk's Reserves Committee, and is the Chairman of the Nominating and Corporate Governance Committee. Since December 1988, Mr. Fuller has been a principal of Diverse Energy Management Co., a private upstream acquisition, drilling and production company which also invests in other energy-related companies. Mr. Fuller has earned degrees from the University of Wyoming and the Louisiana State University School of Banking of the South and is a Registered Professional Engineer in Texas. He has 40 years of experience as a petroleum engineer, specializing in economic and reserves evaluation. He has served as an employee, officer, partner or director of various companies, including ExxonMobil, First City National Bank, Hillin Oil Co., Diverse Energy Management Co. and Rimco Royalty Partners. Mr. Fuller also has extensive experience in energy-related merger and acquisition transactions, having generated and closed over 90 producing property acquisitions during his career. As a primary lending officer to many independent energy companies, Mr. Fuller has extensive experience in analyzing and evaluating financial, business and operational strategies for energy companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Fuller's contributions to the board, determined that his petroleum engineering and energy-related acquisitions and analytical experience provide significant contributions to the Company's board of directors.

James L. Irish III has served as a director since May 25, 2004. Mr. Irish serves as the Company's Chairman of the Audit Committee and as its Lead Director (our lead independent director). Mr. Irish served as a director of 3TEC Energy Corporation from 2002 until June 2003, and has served as an advisory director of EnCap Investments L.P. since October 2007. For over 30 years, until his retirement in December 2001, Mr. Irish practiced law with Thompson & Knight LLP, a Texas-based law firm that represents multinational and independent oil and gas companies, host government oil and gas companies, large utilities, private power plants, energy industry service companies, refineries, petrochemical companies, financial institutions, and multinational drilling contractors and construction companies. Mr. Irish's practice specialized in the area of energy finance and focused on the representation of insurance companies, pension plan managers, foundations and other financial institutions with respect to their equity and debt oil and gas investments and their related legal, regulatory and structural issues. Mr. Irish has also represented energy companies in connection with

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project financings, joint ventures, master limited partnerships and similar matters and has represented banks and other financial institutions with issues of revolving credit, project, term and other oil and gas loans. Mr. Irish served as chair of the energy group of Thompson & Knight LLP and was its sole Vice President or Managing Partner for over ten years prior to his retirement. Mr. Irish has been named since 1987 in Corporate Law by *The Best Lawyers in America* and has been included as a *Texas Super Lawyer* by *Texas Monthly* in Energy & Natural Resources and Securities & Corporate Finance.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Irish's contributions to the board, determined that his experience in legal, financial and transactional matters affecting oil and natural gas companies provide significant contributions to the Company's board of directors.

Gary A. Merriman has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves as the Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Mr. Merriman had served as a director of KCS since April 2005. Mr. Merriman left Conoco Inc. in 2002 after having begun his career in the oil and natural gas industry there in 1976 following graduation from Marietta College with a Bachelor of Science in Petroleum Engineering. He held various engineering and supervisory positions with Conoco, including as a production superintendent in West Texas and engineering manager for Conoco's western Gulf of Mexico operations. In 1991, Mr. Merriman attended the Massachusetts Institute of Technology (MIT) as a Sloan Fellow, earning a Masters of Science in Management in 1992 and spent the following three years as a general manager of operations for Conoco in Aberdeen, Scotland. In 1995, Mr. Merriman was the President of Conoco Indonesia Inc. in Jakarta. In 1997, Mr. Merriman was the General Manager of the Rockies business unit in Denver for Conoco and in 1999, Mr. Merriman became the President of Exploration and Production for Conoco in the Americas with responsibilities for operations in the U.S. and South America.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Merriman's contributions to the board, determined that his petroleum engineering background and operational and management experience in the oil and natural gas industry provide significant contributions to the Company's board of directors.

Robert G. Raynolds has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves on the Company's Reserves Committee. Mr. Raynolds is an exploration geologist with 35 years of experience in university teaching, with international applied-geological research experience in oil and gas exploration. He has been an independent consulting geologist for several major and independent oil and gas companies from 1992 until the present. After earning his PhD in geology at Dartmouth College, Mr. Raynolds taught on a Fulbright fellowship at the Center for Excellence in Geology at the University of Peshawar in Peshawar, Pakistan. He later taught at Dartmouth College and is currently an adjunct professor at the Colorado School of Mines. He has taught graduate level classes and seminars in structure, sequence stratigraphy and regional tectonics and undergraduate classes in remote sensing, stratigraphy of North America and field methods. He also instructs industry courses on sedimentation in extensional basins and stratigraphic analyses of regressive marine sequences. Mr. Raynolds has done geological field work and research in Europe, Africa, South America, and in Asia. He has exploration experience with Exxon and Amoco Production Companies involving exploration in Mexico, Australia, Pakistan, Egypt, Kenya, Burundi and Tanzania. Mr. Raynolds has domestic exploration experience that includes the Gulf Coast Tertiary, California onshore basins and Rocky Mountain basins and has initiated and conducted exploration in targeted shale gas plays in the Mancos, Lewis and Bearpaw shales of the Cretaceous Interior Seaway. He has extensive experience with log interpretation, subsurface mapping and correlation, 2-D and 3-D seismic interpretation, play analysis, field size distribution analysis and exploration strategy development. For the past ten years Mr. Raynolds has been a researcher and teacher at the Denver Museum of Nature & Science. Currently, his applied research has focused on groundwater resources and has included research in

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Bolivia and Argentina to investigate modern analogs to help define subtle stratigraphic controls on groundwater distribution in Colorado.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Raynolds's contributions to the board, determined that his petroleum engineering and exploration experience provide significant contributions to the Company's board of directors.

Stephen P. Smiley has served as a director since April 5, 2010. Mr. Smiley serves on the Company's Audit Committee and the Nominating and Corporate Governance Committee. Upon his retirement from Hunt Private Equity Group in September 2010, Mr. Smiley founded and is the sole partner of Madison Lane Partners, LLC, an advisory and investment company. Mr. Smiley was the Co-founder and President of Hunt Private Equity Group, Inc. since 1996. During his time at Hunt Private Equity Group, he raised and managed a private equity fund to invest in leveraged buyouts and growth financings for various middle market companies. At Hunt Private Equity Group he was also responsible for managing relationships with institutional, family and individual investors, and for sourcing, evaluating, financing and managing the portfolio. Mr. Smiley also serves on the boards of Dynamex, Inc., a publicly traded company where he serves on the compensation, audit, governance and executive committees, and Ginsey Holdings, Inc., where he serves on the audit committee. Before he joined Hunt Private Equity Group, from 1991 to 1995 he co-founded and served as the chief executive officer of Cypress Capital Corporation where he raised and managed a multi-million dollar fund to invest in leveraged buyouts, industry consolidations and growth financings in the middle market. From 1989 to 1991 Mr. Smiley worked in the venture capital group at Citicorp/Citibank, N.A. Mr. Smiley holds a Bachelor of Arts from the University of Virginia and a Master of Business Administration from the College of William and Mary and has 30 years of corporate finance and investing experience, and over 20 years of corporate governance experience.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Smiley's nomination to the board, determined that his experience in investing and financial matters and corporate governance would provide significant contributions to the Company's board of directors.

Robert C. Stone, Jr. has served as a director since September 2000. Mr. Stone is a member of the Company's Compensation Committee and is the Chairman of the Reserves Committee. Additionally, he has served on the Company's Audit Committee and Nominating and Corporate Governance Committee. Mr. Stone formed ENG Energy Advisory, LLC in 2007 and serves as its managing member. ENG provides advisory and consulting services to independent exploration and production companies with emphasis on capital formation, corporate strategy and acquisition and divestiture of producing properties. Mr. Stone retired in June 2007 from his position as Senior Vice President/Manager of Energy Lending at Whitney National Bank in New Orleans, Louisiana, where he was employed since 2000. Prior to this position, Mr. Stone was Manager of Energy Technical Services, Energy/Maritime Division at Hibernia National Bank from 1998 to 2000, where he had evaluation responsibilities for all syndicated and direct lending to exploration and production industry clients. Mr. Stone has held senior management positions in energy banking for over 21 years. Mr. Stone began his banking career as an engineer with First National Bank of Commerce in New Orleans in 1983. Prior to that, Mr. Stone earned a Bachelor of Science in Industrial Engineering and a Masters of Engineering (Petroleum Option) from the University of Houston. During and after his graduate work he was a teaching fellow with assignments in Engineering Economics and Engineering Statistics. Upon graduation he worked for Exxon Company, USA (now ExxonMobil Corporation) for seven years in increasingly responsible technical positions relating to the economic evaluation of oil and gas reserves and the management of engineers involved in reservoir and subsurface engineering. He was also a Founding Governor of the City Energy Club of New Orleans and is involved with many civic organizations in New Orleans where he still resides.

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The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Stone's contributions to the board, determined that his experience in energy banking and finance provide significant contributions to the Company's board of directors.

Christopher A. Viggiano has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. Mr. Viggiano serves on the Company's Audit Committee and the Compensation Committee. Mr. Viggiano had served as a director of KCS since 1988, serving on the Compensation Committee and as the Audit Committee Chairman from 1988 until the merger with Petrohawk in 2006. He has been President, Chairman of the Board and majority owner of O'Bryan Glass Corp. in Queens, New York since December 1991. Mr. Viggiano is a Certified Public Accountant and worked in public accounting as an auditor for Arthur Anderson & Co. from 1975 to 1984, where his audits included energy, pipeline and gas utility companies among many other industries. He also worked within Arthur Anderson's merger and acquisition group from 1982 to 1984.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Viggiano's contributions to the board, determined that his experience as an executive officer, a director of an exploration and production company and his past audit and acquisition experience provide significant contributions to the Company's board of directors.

Committees of the Board

Our board has four standing committees: audit, compensation, nominating and corporate governance, and reserves. Actions taken by our committees are reported to the full board. Each committee conducts an annual evaluation of its duties and is expected to conduct an annual review of its charter. Each committee has authority to retain, set the compensation for, and terminate consultants, outside counsel and other advisers as that committee determines to be appropriate.

Audit Committee. The members of our audit committee are: James L. Irish III, James W. Christmas, Stephen P. Smiley, and Christopher A. Viggiano, with Mr. Irish serving as the chairman. The audit committee met on four occasions during 2010. Our board has determined that all members of our audit committee are financially literate within the meaning of SEC rules, under the current listing standards of the New York Stock Exchange, or NYSE, and in accordance with our audit committee charter. Our board has also determined that all members of the audit committee are independent, within the meaning of SEC and NYSE regulations for independence for audit committee members, under our corporate governance guidelines, and in accordance with our audit committee charter, and that each of Mr. Christmas, Mr. Smiley and Mr. Viggiano qualifies as an "audit committee financial expert" under the NYSE rules, Item 407(d)(5) of Regulation S-K and in accordance with our audit committee charter. Our board of directors adopted an amended audit committee charter on December 8, 2008. See "Corporate Governance Matters—Director Independence" for more information on how we determine the independence of our directors.

The primary functions of our audit committee are to monitor internal accounting controls and financial reporting practices, review financial statements and related information, select and retain our independent registered public accountants, review and evaluate the performance, services, and fees of the independent registered public accountants, pre-approve all audit and permitted non-audit services to be provided by the independent registered public accountants, monitor the independence of the independent registered public accountants, and produce a report for inclusion in our proxy statement. Our independent registered public accountants report directly to the audit committee. Additionally, the audit committee discusses with management our earnings releases, including the use of pro-forma financial information, and the information and earnings guidance provided to analysts and rating agencies. The audit committee also reviews and discusses quarterly reports from our independent registered public accountants regarding critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles, and other material written

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communication between our independent registered public accountants and management. See below in this proxy statement for a copy of our audit committee's report for the 2010 fiscal year.

Compensation Committee. The members of our compensation committee are Gary A. Merriman, Robert C. Stone, Jr., and Christopher A. Viggiano, with Mr. Merriman serving as the chairman. This committee met six times during 2010. Our board of directors has determined that each of the current members of the compensation committee is a "non-employee director" in accordance with Rule 16b-3 of the 1934 Act and an "outside director" in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), as required in our compensation committee charter. Our board of directors has also determined that all members of the compensation committee who currently serve are "independent" pursuant to the NYSE rules and in accordance with our compensation committee charter. Our compensation committee is responsible for formulating and recommending to our board of directors the compensation to be paid to our executive officers and directors, and producing an annual report for inclusion in our proxy statement. The compensation committee also administers our stock option plans, including our 1999 Incentive and Nonstatutory Stock Option Plan, the 2004 Non-Employee Director Incentive Plan, the 2004 Employee Incentive Plan, the Mission Resources Corporation 2004 Incentive Plan, the Mission Resources Corporation 1996 Stock Incentive Plan, the Mission Resources Corporation 1994 Stock Incentive Plan, the KCS Energy, Inc. 2001 Employees and Directors Stock Plan, and the KCS Energy, Inc. 2005 Employees and Directors Stock Plan. Our board of directors adopted an amended compensation committee charter on November 3, 2008. See "Executive Compensation—Compensation Discussion and Analysis—Overview of the Compensation Committee" for additional information on our compensation committee.

Compensation Committee—Interlocks and Insider Participation. See the "Compensation Committee Interlocks and Insider Participation" section of this proxy statement.

Compensation Discussion and Analysis. See the "Executive Compensation—Compensation Discussion and Analysis" section of this proxy statement.

Nominating and Corporate Governance Committee. The members of our nominating and corporate governance committee are James W. Christmas, Thomas R. Fuller, Gary A. Merriman, and Stephen P. Smiley with Mr. Fuller serving as the chairman. The nominating and corporate governance committee met six times during 2010. Our board of directors has determined that all members of the nominating and corporate governance committee who currently serve are independent pursuant to the NYSE rules and in accordance with our nominating and corporate governance committee charter. The primary functions of the nominating and corporate governance committee are to recommend candidates to the board of directors as nominees for election at the annual meeting of stockholders or to fill vacancies as they may occur, and to perform an annual performance evaluation of the board of directors. This committee also reviews candidates suggested for nomination by the stockholders. Our board of directors adopted an amended nominating and corporate governance committee charter on October 28, 2010. With respect to procedures for stockholders to suggest candidates for consideration by the committee for the 2012 annual meeting of stockholders, see "Corporate Governance Matters—Nomination Process", "Corporate Governance Matters—Stockholder Nomination Process" and "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders".

Reserves Committee. The members of our reserves committee are Robert C. Stone, Jr., Robert G. Raynolds, and Thomas R. Fuller, with Mr. Stone serving as the chairman. The reserves committee met on five occasions during 2010. Our board has determined that all members of our reserves committee are independent in accordance with our reserves committee charter. Our reserves committee has been formed to assist our board with oversight in the preparation by independent petroleum engineers of annual and any special reserve reports and/or audits of the estimated amounts of our consolidated hydrocarbon reserves and related information. The reserves committee retains the independent petroleum engineers who evaluate our hydrocarbon reserves and determines their

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independence from Petrohawk. Our board of directors adopted an amended reserves committee charter on February 27, 2007.

Membership and Meetings of the Board of Directors and its Committees. During 2010, fifteen meetings of our board of directors were held. Each director who served on our board during 2010 attended at least 75% of the total meetings of the board (during the period in which he was a director) and each committee on which he served (during the period that he served on that committee). Our directors also took action by unanimous written consent on three occasions. Information relating to current committee membership and the number of meetings of the full board and committees held in 2010 is summarized in the following table:

<u>Name of Director</u>	<u>Board of Directors</u>	<u>Audit Committee</u>	<u>Nominating and Corporate Governance Committee</u>	<u>Compensation Committee</u>	<u>Reserves Committee</u>
Floyd C. Wilson	Chairman				
James W. Christmas	Vice Chairman	Member	Member		
Thomas R. Fuller	Member		Chairman		Member
James L. Irish III	Member	Chairman			
Gary A. Merriman	Member		Member	Chairman	
Robert G. Raynolds	Member				Member
Stephen P. Smiley	Member	Member	Member		
Robert C. Stone, Jr.	Member			Member	Chairman
Christopher A. Viggiano	Member	Member		Member	
Number of Meetings in 2010:	15	4	6	6	5

Corporate Governance Matters

Corporate Governance Web Page and Available Documents. We maintain a corporate governance page on our website at www.petrohawk.com where you can find the following documents:

- our corporate governance guidelines;
- our code of ethics for our Chief Executive Officer and senior financial officers;
- our code of conduct; and
- the charters of the audit, reserves, nominating and corporate governance, and compensation committees.

We will also provide a printed copy of these documents, without charge, to stockholders who request copies in writing from Joan Dunlap, Vice President—Investor Relations, Petrohawk Energy Corporation, 1000 Louisiana, Suite 5600, Houston, Texas 77002.

Director Independence. On March 13, 2007, our common stock began trading on the NYSE under the symbol "HK" and we became subject to the rules of NYSE applicable to NYSE listed companies, including the NYSE corporate governance rules. Prior to March 13, 2007, we were subject to the rules of NASDAQ applicable to NASDAQ listed companies, including the NASDAQ corporate governance rules.

The current listing standards of the NYSE require our board to affirmatively determine the independence of each

director and to disclose such determination in the proxy statement for each annual meeting of our stockholders. The board, at its meeting held on February 17, 2011, affirmatively determined that each of Messrs. Christmas, Fuller, Irish, Merriman, Raynolds, Smiley, Stone and Viggiano is an "independent director" with respect to Petrohawk under the independence standards of our corporate governance guidelines, adopted as of October 28, 2010 and described below, and under the corporate governance rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual.

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Our board has established the following standards for determining director independence in our corporate governance guidelines:

A majority of the directors on our board must be "independent". No director qualifies as "independent" unless the board affirmatively determines that the director has no "material relationship" with Petrohawk, either directly, or as a partner, shareholder or officer of an organization that has a relationship with Petrohawk. A "material relationship" is a relationship that the board determines, after a consideration of all relevant facts and circumstances, compromises the director's independence from management. Our board's determination of independence must be consistent with all applicable requirements of the NYSE, the SEC, and any other applicable legal requirements. Our board may adopt specific standards or guidelines for independence in its discretion from time to time, consistent with those requirements. As set forth in the NYSE Listed Company Manual Section 303A.02, our board must consider the following factors that preclude a finding by the board of a member's or prospective member's "independence" from Petrohawk:

1. A director who is, or who has been within the last three years, an employee of Petrohawk (including in each case subsidiaries or parent entities in a consolidated group), or an immediate family member who is, or has been within the last three years, an executive officer, of Petrohawk;
2. A director who has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Petrohawk, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, that, compensation received by a director for former service as an interim Chairman or CEO or other executive officer need not be considered in determining independence under this test, and compensation received by an immediate family member for service as an employee of Petrohawk need not be considered in determining independence under this test;
3. (A) A director is a current partner or employee of a firm that is Petrohawk's internal or external auditor; (B) a director who has an immediate family member who is a current partner of such a firm; (C) a director who has an immediate family member who is a current employee of such a firm and who participates in Petrohawk's audit; or (D) a director or an immediate family member who was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Petrohawk's audit within that time;
4. A director or an immediate family member who is, or who has been within the last three years, employed as an executive officer of another company where any of Petrohawk's present executive officers at the same time serves or served on that company's compensation committee; and
5. A director who is a current employee, or an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, Petrohawk for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

For purposes of determining "independence" of a director based on the tests set forth above, among other things, the following applies:

- A. In applying the test in paragraph 5 above, both the payments and the consolidated gross revenues to be measured are those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between Petrohawk and the director or immediate family member's current employer; Petrohawk is not required to consider former employment of the director or the immediate family member.

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- B. For purposes of paragraph 5 above, contributions to tax exempt organizations are not considered "payments," although Petrohawk still considers the "materiality" of any such relationship in determining the "independence" of a director.
- C. For purposes of determining "independence," an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares such person's home, and does not include individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Our corporate governance guidelines set forth our policy with respect to qualifications of the members of the board, the standards of director independence, director responsibilities, board meetings, director access to management and independent advisors, director orientation and continuing education, director compensation, chairman and CEO dual responsibilities, management evaluation and succession, annual performance evaluation of the board, and executive sessions.

As discussed above, our board determined that Mr. Irish is an "independent director" under our corporate governance guidelines and under NYSE rules. In determining that Mr. Irish is an "independent director," our board considered that Mr. Irish is Of Counsel to Thompson & Knight LLP, which we have engaged for the purpose of obtaining legal advice. In concluding that this relationship did not result in a material relationship between Petrohawk and Mr. Irish, our board considered, among other things, that Mr. Irish does not actively engage in the practice of law with Thompson & Knight LLP or participate in the management or profits of that firm. Mr. Irish received no compensation for the services rendered by Thompson & Knight LLP to Petrohawk; and he did not perform legal services on behalf of Thompson & Knight LLP for Petrohawk.

Nomination Process. Our nominating and corporate governance committee reviews possible candidates for nomination to the board of directors and recommends candidates for nomination to the board for approval. The committee and the board have adopted guidelines that describe specific traits, abilities, and experience which the committee and the board consider in selecting candidates for nomination as directors. Although we do not have a formal diversity policy, among the standards and qualifications the committee and the board seek are individuals of high ethical character who share our values and who possess diverse backgrounds and experiences. The board is expected to have some members with specialized skills in the oil and gas exploration and development industry, including individuals with strong technical backgrounds. Absent special circumstances, we are generally of the view that the continuing service of qualified incumbents promotes stability and continuity in the board room, giving us the benefit of the familiarity and insight into our affairs that directors have accumulated during their tenure, while contributing to our board's ability to work as a collective body. Accordingly, it is the general policy of the committee to nominate qualified incumbent directors who continue to satisfy the committee's membership criteria, who the committee believes will continue to make important contributions to the board and who consent to stand for reelection and continue their service on the board. The nominating and corporate governance committee is responsible for assessing the appropriate mix of skills and characteristics required of directors in the context of perceived needs of the board at any given point in time and reviews and updates the criteria for nomination as they determine to be necessary.

Board Diversity. Our board of directors does not have a formal written policy with regard to the consideration of diversity in identifying director nominees. Our nominating and corporate governance committee charter, however, requires the committee to review the composition of the board as a whole and recommend, if necessary, measures to be taken so that our board not only contains the required number of independent directors, but also reflects the balance of knowledge, experience, skills, expertise, integrity, analytical ability and diversity as a whole that the committee deems appropriate.

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This review includes an assessment as to our board's current and anticipated need for directors with specific qualities, skills, experience or backgrounds; the availability of highly qualified candidates; committee workloads and membership needs; and anticipated director retirements.

Stockholder Nomination Process. Our nominating and corporate governance committee considers suggestions from many sources, including management, directors, and stockholders regarding possible candidates for nomination to the board of directors. Any such stockholder recommendation must be submitted by one or more stockholders that have individually or as a group owned beneficially at least one percent of our issued and outstanding common stock for at least one year, determined as of the date the recommendation is submitted. Any such recommendation should be submitted to the nominating and corporate governance committee in writing, c/o David S. Elkouri, Executive Vice President—General Counsel and Secretary, at 1000 Louisiana, Suite 5600, Houston, Texas, 77002. The information should include: (i) the name and address of the stockholder suggesting the individual as they appear on our books, (ii) the number and class of shares owned beneficially and of record by the stockholder (including the date(s) of acquisition thereof, (iii) the suggested individual's name, age, business address, residence and telephone number, (iv) a description of all arrangements or understandings (if any) between the stockholder and the individual being suggested for the committee's consideration, and (v) the information about the individual being suggested that would be required to be included in a proxy statement filed with the SEC. The recommendation must be accompanied by signed statements from the recommending stockholder and the proposed candidate to the effect that: (i) the candidate consents to being a director candidate and, if nominated and elected, he/she will serve as a director representing all of the Company's stockholders in accordance with applicable laws and the Company's Certificate of Incorporation and Bylaws; (ii) the candidate, if elected, will comply with the Company's Corporate Governance Guidelines, Code of Conduct and other applicable rules, regulations, policies or standards of conduct applicable to the Board of Directors or its individual members; (iii) the recommending stockholder and the candidate will promptly provide any additional information requested by the nominating and corporate governance committee and/or board to assist in the consideration of the candidate; including, without limitation, a completed and signed questionnaire for directors and officers in the Company's standard form and an interview with the committee or its representative; and (iv) the recommending stockholder will maintain beneficial ownership of at least one percent of the Company's issued and outstanding common stock through the date of the annual meeting for which the candidate is being recommended for nomination. The recommendation and the director candidate's signed statement must be provided to us for an annual meeting of stockholders in accordance with the provisions of "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders" below and, if inclusion of the nominee in our proxy statement is requested, must otherwise comply with all the provisions set forth in Rule 14a-8 under the 1934 Act, and any other requirements of state law. We may also require any proposed nominee to furnish such other information as we or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. For the deadline for stockholder suggestions of individuals to be considered by the committee for nomination as a candidate to be elected at the 2012 annual meeting of stockholders, see "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders". Candidates who have been suggested by stockholders are evaluated by the nominating and corporate governance committee in the same manner as are other candidates. Our nominating and corporate governance committee has not retained a third-party search firm to identify candidates, but may do so in the future in its discretion.

The nominating and corporate governance committee did not receive any stockholder recommendations for nomination to our board of directors in connection with this year's annual meeting. The nominating and corporate governance committee has recommended Messrs. Wilson, Merriman and Stone who are current Class I directors, for reelection as the term of their class is expiring on our classified board of directors.

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Leadership Structure. Our board currently combines the role of chairman of the board with the role of Chief Executive Officer ("CEO"), and maintains a separate empowered lead independent director position to further strengthen our governance structure. Our board believes this provides an efficient and effective leadership model for the Company. Combining the chairman and CEO roles fosters clear accountability, effective decision-making and alignment on corporate strategy while reducing the potential for fractured leadership that can undermine successful implementation of policy.

Our board believes that the Company is strengthened by the chairmanship of Mr. Wilson, who provides strategic, operational and technical expertise, vision and a proven ability to lead the Company to the successes it has experienced. Under Mr. Wilson's leadership, the Company has continued to reflect solid growth. Our board believes that, under the present circumstances, the interests of the Company and its stockholders are best served by the leadership and direction of Mr. Wilson as chairman and CEO. Our board recognizes that no single leadership model is right for all companies and at all times and that, depending on the circumstances, other leadership models, such as a separate independent chairman of the board, might be appropriate.

Our Lead Director (lead independent director), currently Mr. James L. Irish III, is elected annually by our board. Our Lead Director serves as a key component of our governance structure, subject to oversight by the independent members of our board. The Lead Director's responsibilities and authority generally include:

- presiding over all executive sessions of the independent or non-management directors and all other board meetings at which the Chairman is not present;
- calling special meetings of the non-employee directors when necessary and appropriate;
- coordinating the agenda for, and moderating, sessions of the board's independent directors and other non-management directors;
- serving as a liaison between the Chairman and the independent or non-management directors;
- consulting with the Chairman to include and provide at meetings of the directors specific agenda items and additional materials suggested by independent board members;
- approving the scheduling of regular and, where feasible, special meetings of the board to ensure that there is sufficient time for discussion of all agenda items;
- facilitating communications among the other members of the board;
- consulting with the chairs of the board committees and soliciting their participation to avoid diluting their authority or responsibilities; and
- performing other duties as the board may from time to time delegate.

Our corporate governance guidelines currently provide that non-management directors must meet at regularly scheduled executive sessions without management. Our board has determined that all of our current "non-management" directors are independent directors under the NYSE rules. Our Lead Director, who is currently Mr. Irish and who is an independent and non-management director, presides over the executive sessions of our non-management directors. During 2010, our non-management directors held four executive sessions without management present, and Mr. Irish presided over each executive session.

Risk Oversight. It is the job of our Chief Executive Officer, Chief Financial Officer, General Counsel, and other members of our senior management to identify, assess, and manage our exposure to risk. Our board plays an important role in overseeing management's performance of these functions. Our board of directors has approved the charter of its audit committee, which lists the primary responsibilities of the audit committee. Those responsibilities require the audit committee to discuss

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with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including the substance of any significant litigation, contingencies or claims that had, or may have, a significant impact on the financial statements. The audit committee is also required to discuss with management and review the mechanisms, guidelines and policies that govern the processes by which risk assessment and management are undertaken.

Each of the board's other committees also oversees the management of risks that fall within such committee's area of responsibility. Our compensation committee incorporates risk considerations, including the risk of loss of key personnel, as it evaluates the performance of our Chief Executive Officer and other executive officers, reviews management development and succession plans, and determines compensation structure and amounts. Our nominating and corporate governance committee focuses on issues and risks relating to board composition, leadership structures and corporate governance matters. The focus of our reserves committee is on the integrity of the process of selecting our independent petroleum engineers and whether reports prepared by our independent petroleum engineers are prepared in accordance with the accepted or required petroleum engineering standards.

Our board receives reports from its committees regarding the risks considered in their respective areas to ensure that our board has a broad view of our strategy and overall risk management process. In performing its risk oversight function, each committee has full access to management, as well as the ability to engage advisors. Each committee's charter is posted on our web site at www.petrohawk.com.

Communications with the Board. Our stockholders may communicate concerns to any director, board committee or to the full board of directors by sending letters addressed to such directors, board committees or the full board of Petrohawk Energy Corporation at 1000 Louisiana, Suite 5600, Houston, Texas 77002, Attention: David S. Elkouri, General Counsel. The Chief Ethics Officer will then, as appropriate, forward the communication to the intended director or directors, board committee or the full board of directors. If the stockholder wishes the communication to be confidential, then the communication should be provided in a form that will maintain confidentiality such as stamping the envelope and the contents as "confidential".

Communications with the Non-Management Directors. Interested parties may communicate concerns to the non-management members of our board of directors by sending a communication to the Lead Director and chairman of the audit committee, James L. Irish III, 1722 Routh Street, Suite 1500, Dallas, Texas 75201. Mr. Irish will then forward such communication to all of our other non-management directors.

Directors' Attendance at Stockholder Meetings. Our corporate governance guidelines provide that our directors are encouraged to attend annual meetings of our stockholders. Two members of our board attended last year's annual meeting of stockholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Company occasionally charters private aircraft from unaffiliated air charter companies. Floyd C. Wilson, the Company's Chief Executive Officer, indirectly owns an aircraft that is managed by an air charter company that is unaffiliated with both Mr. Wilson and the Company. The Company occasionally charters aircraft from this company. The aircraft in the air charter company's fleet, including the aircraft owned by Mr. Wilson, are available to the public for charter based upon a standard fee schedule established by the air charter company, with the fees dependent primarily upon the type and size of the aircraft utilized and the duration of the flight. During 2010, the Company paid a total of approximately \$1.35 million to the air charter company that manages Mr. Wilson's aircraft, of which approximately \$750,000 was related to the use of Mr. Wilson's aircraft. Mr. Wilson's indirect interest in the transactions in which the Company charters his aircraft from the air charter company, as opposed to some other aircraft, is difficult to determine, as the air

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charter company deducts from revenues received from charter customers, such as the Company, a variety of expenses incidental to use of the aircraft (such as personnel, fuel and commissions) and recurring charges (such as for inspections, maintenance, storage and service), and during 2010 the total amount of these expenses significantly exceeded the amount paid by the Company and others to charter Mr. Wilson's aircraft. In addition, because the air charter company establishes fees for the use of the aircraft in its fleet, Mr. Wilson does not receive any greater benefit from the Company's charter of his aircraft than he does from any third party chartering his aircraft.

The use of charter aircraft by Company personnel is governed by the Company's Aircraft Policy. Our policies do not require that a special committee of the Company's independent directors approve the use of aircraft chartered through an unaffiliated air charter company that independently establishes the amount charged under arrangements that otherwise comply with our Aircraft Policy.

RELATED PARTY TRANSACTION REVIEW POLICIES AND PROCEDURES

A transaction or series of similar transactions to which we are a party in which the amount involved exceeds \$120,000 and involves a director, executive officer, 5% stockholder or any immediate family members of these persons is generally evaluated by a special committee of disinterested directors formed by our board of directors to evaluate such transactions. In addition, our code of conduct provides that every employee should disclose any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest to our General Counsel, David S. Elkouri, and every member of our board should disclose any material transaction or relationship that could be expected to give rise to a conflict of interest to the chairman of the audit committee. The audit committee has the authority to evaluate any such conflicts of interest and recommend actions to be taken by our board in connection with such conflicts of interest or to report the existence of any such conflicts of interest to the full board for it to take action.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires our directors, certain officers and holders of 10% or more of any class of our stock to report to the SEC, by a specified date, initial reports of ownership and reports of changes in ownership of our stock and other equity securities. To our knowledge based solely on a review of copies of reports filed under Section 16(a) during the 2010 fiscal year and furnished to us, our directors, executive officers and holders of 10% or more of our shares complied with these requirements with the exception of Joan Dunlap, our Vice President—Investor Relations, who filed a Form 4 on July 2, 2010 relating to the payment of tax liability for the vesting of restricted stock on August 11, 2007.

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MANAGEMENT

The following table sets forth the names and ages of all of our executive officers, the positions and offices with us held by such persons and the months and years in which continuous service as officers began:

<u>Name</u>	<u>Corporate Officer Since</u>	<u>Age</u>	<u>Position</u>
Floyd C. Wilson	May 2004	64	Chairman of the Board and Chief Executive Officer
Richard K. Stoneburner	May 2004	57	President and Chief Operating Officer
Mark J. Mize	July 2005	39	Executive Vice President— Chief Financial Officer and Treasurer
David S. Elkouri	August 2007	57	Executive Vice President— General Counsel and Secretary
Larry L. Helm	July 2004	63	Executive Vice President— Finance and Administration
Stephen W. Herod	May 2004	52	Executive Vice President— Corporate Development and Assistant Secretary
H. Weldon Holcombe	March 2007	58	Executive Vice President— Mid-Continent Region
Ellen R. DeSanctis	September 2010	54	Senior Vice President— Corporate Communications
Charles W. Latch	November 2007	66	Senior Vice President— Western Region
Tina S. Obut	March 2007	46	Senior Vice President— Corporate Reserves
C. Byron Charboneau	March 2008	34	Vice President—Chief Accounting Officer and Controller
Charles E. Cusack III	May 2008	52	Vice President—Exploration
Joan W. Dunlap	July 2007	37	Vice President—Investor Relations

Our executive officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been elected and qualified. The following paragraphs contain certain information about each of our executive officers other than Mr. Wilson, whose biographical information is included under the heading "Our Board of Directors and its Committees—The Board of Directors" above.

Richard K. Stoneburner has served as President and Chief Operating Officer since September 8, 2009. Mr. Stoneburner previously has served as Executive Vice President—Chief Operating Officer from September 13, 2007 until September 8, 2009 and as Executive Vice President—Exploration from August 1, 2005, until September 13, 2007. Mr. Stoneburner served as Vice President—Exploration from May 25, 2004 until August 1, 2005. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He joined 3TEC in August 1999 and was its Vice President—Exploration from December 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Stoneburner was employed by W/ E Energy Company as District Geologist from 1998 to 1999. Prior to joining W/E Energy, Mr. Stoneburner worked as a geologist for Texas Oil & Gas, The Reach Group, Weber Energy Corporation, Hugoton Energy Corporation and, independently through his own company, Stoneburner Exploration, Inc. Mr. Stoneburner has over 31 years of experience in the energy business.

Mark J. Mize has served as Executive Vice President—Chief Financial Officer and Treasurer since August 10, 2007. He served as Vice President, Chief Accounting Officer and Controller from July 2005 until August 10, 2007. Mr. Mize joined us on November 29, 2004 as Controller. Prior to joining us, he was the Manager of Financial Reporting of Cabot Oil & Gas Corporation, a public oil and gas

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exploration company, from January 2003 to November 2004. Prior to his employment at Cabot Oil & Gas Corporation, he was an Audit Manager with PricewaterhouseCoopers LLP from 1996 to 2002. Mr. Mize is a Certified Public Accountant.

David S. Elkouri has served as Executive Vice President—General Counsel and Secretary of Petrohawk since August 1, 2007. Mr. Elkouri also serves as our Chief Ethics Officer and our Insider Trading Compliance Officer. Mr. Elkouri served as lead outside counsel for Petrohawk from 2004 through July 2007 and has been actively involved with the Company's growth since that time. Prior to that time he served as lead outside counsel for 3TEC Energy Corporation from its inception in 1999 until it was acquired in 2003 and for Hugoton Energy Corporation from its inception in 1994 until it was acquired in 1998. Mr. Elkouri is a co-founder of Hinkle Law Firm L.L.C. where he practiced for 20 years prior to joining Petrohawk. Mr. Elkouri's practice has focused on tax, corporate, mergers and acquisitions and securities law with an emphasis on the oil and gas industry. Mr. Elkouri is a graduate of the University of Kansas School of Law where he served as a Research Editor of the Kansas Law Review.

Larry L. Helm has served as Executive Vice President—Finance and Administration since August 1, 2007. Mr. Helm served as Vice President—Chief Administrative Officer from July 15, 2004 until August 1, 2005, and as Executive Vice President—Chief Administrative Officer from August 1, 2005 until August 2007. Prior to serving as an executive officer, Mr. Helm served on our board of directors for approximately two months. Mr. Helm was employed with Bank One Corporation from December 1989 through December 2003. Most recently Mr. Helm served as Executive Vice President of Middle Market Banking from October 2001 to December 2003. From April 1998 to August 1999, he served as Executive Vice President of the Energy and Utilities Banking Group. Prior to joining Bank One, he worked for 16 years in the banking industry primarily serving the oil and gas sector. He served as director of 3TEC Energy Corporation from 2000 to June 2003.

Stephen W. Herod has served as Executive Vice President—Corporate Development and Assistant Secretary since August 1, 2005. Mr. Herod served as Vice President—Corporate Development from May 25, 2004 until August 1, 2005. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He served as Executive Vice President—Corporate Development for 3TEC Energy Corporation from December 1999 until its merger with Plains Exploration & Production Company in June 2003 and as Assistant Secretary from May 2001 until June 2003. Mr. Herod served as a director of 3TEC from July 1997 until January 2002. Mr. Herod served as the Treasurer of 3TEC from 1999 until 2001. From July 1997 to December 1999, Mr. Herod was Vice President—Corporate Development of 3TEC. Mr. Herod served as President and a director of Shore Oil Company from April 1992 until the merger of Shore with 3TEC's predecessor in June 1997. He joined Shore's predecessor as Controller in February 1991. Mr. Herod was employed by Conquest Exploration Company from 1984 until 1991 in various financial management positions, including Operations Accounting Manager. From 1981 to 1984, Superior Oil Company employed Mr. Herod as a financial analyst.

H. Weldon Holcombe joined Petrohawk on July 12, 2006, effective upon the merger of KCS Energy, Inc. with and into the Company and has served as Executive Vice President—Mid-Continent Region since March 1, 2007. After the merger of KCS and Petrohawk, Mr. Holcombe became responsible for all of the merged company's operations in the Mid-Continent Region including our interests in the Elm Grove and Terryville fields among others throughout the Mid-Continent Region. More recently, he assumed responsibility for Petrohawk's shale operations, notably in the Haynesville and Lower Bossier plays. Prior to the merger of KCS and Petrohawk, Mr. Holcombe served as Senior Vice President of KCS responsible for operations and engineering. Prior to joining KCS in 1996, he spent many years with Exxon in project and management positions associated with sour gas treatment, drilling, completions and reservoir management. Mr. Holcombe holds a degree in engineering from Auburn University.

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Ellen R. DeSanctis has served as the Company's Senior Vice President—Corporate Communications since September 2010. Prior to joining Petrohawk, Ellen was employed as Executive Vice President, Strategy and Development for Rosetta Resources since 2008. From 2006 to 2008, Ms. DeSanctis ran E. R. DeSanctis Consulting Services, which specialized in strategy development, and investor relations for exploration and production companies. From 2000 to 2006, she served as Vice President—Corporate Communications and Strategic Planning for Burlington Resources. She spent several years with Vastar Resources in various capacities and spent eight years in the Atlantic Richfield organization. She began her career at Shell Oil Company as a production engineer in 1978. She holds a bachelor's degree in geological & geophysical sciences from Princeton University and an M.B.A. from the University of California, Los Angeles.

Charles W. Latch has served as Senior Vice President—Western Region since November 2007. From July 2006 through October 2007, Mr. Latch served as our Vice President of Operations. From 2004 until joining Petrohawk in July 2006, Mr. Latch was employed by KCS Resources, serving as Vice President of Operations since November 2004. Mr. Latch was Senior Vice President of Technical Services with El Paso Production Company from November 2002 until joining KCS Resources.

Tina S. Obut has served as Senior Vice President—Corporate Reserves since May 15, 2008. Ms. Obut served as Vice President—Corporate Reserves from March 2007 to May 15, 2008. Ms. Obut initially joined the Company in April 2006 as Manager of Corporate Reserves. Prior to joining us, Ms. Obut was employed by El Paso Production Company as Manager of Reservoir Engineering Evaluations from July 2004 until April 2006. From 2001 to 2004, Ms. Obut was Planning and Asset Manager at Mission Resources. From 1992 to 2001, Ms. Obut was a Vice President with Ryder Scott Company, and from 1989 to 1992, she worked as a reservoir engineer with Chevron. Ms. Obut is a Registered Petroleum Engineer.

C. Byron Charboneau has served as Vice President—Chief Accounting Officer and Controller since March 2008. From August 2007 through February 2008, Mr. Charboneau served as the Financial Controller and from January 2005 through July 2007, Mr. Charboneau served as our Director of Compliance and Accounting Research. From 1999 until joining Petrohawk in January 2005, Mr. Charboneau was employed in the audit practice of PricewaterhouseCoopers, most recently as an audit manager with the Energy, Utilities and Mining Industry group. Mr. Charboneau is a Certified Public Accountant.

Charles E. Cusack III has served as Vice President—Exploration since May 2008. Mr. Cusack currently serves as the Haynesville Shale Project Manager and has most recently served as Petrohawk's Exploration Manager for the Gulf Coast Division prior to its sale in 2007. Mr. Cusack was instrumental in the growth of the region from our initial investment in 2004, to its sale in 2007. Mr. Cusack has over 25 years of exploration and exploitation experience having worked in various positions for 3TEC Energy, Cockrell Oil, Amerada Hess, Tenneco Oil, and Gulf Oil. He holds an engineering degree from Texas A&M University.

Joan W. Dunlap has served as Vice President—Investor Relations since July 2007. From August 2004 until 2006, Ms. Dunlap served as our Assistant Treasurer. Prior to joining Petrohawk, she was employed as an investment banking associate with JPMorgan Chase, accredited with Series 7 and Series 63 licenses, and as a financial analyst and research assistant for the Federal Reserve Bank. Ms. Dunlap holds a bachelor's degree in economics from Tulane University and an M.B.A. from Rice University.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth beneficial ownership of our common stock by each director, including each nominee for reelection at the annual meeting, each executive officer named in the Summary Compensation Table for 2010 set forth under "Executive Compensation—2010 Compensation Program—Summary Compensation Table," and all directors and executive officers of the Company as a group, based upon information known to us as of March 31, 2011. The "Percent of Class" columns below represent for each person or group the percentage of outstanding shares of our common stock plus shares issuable upon exercise of all options, stock-settled stock appreciation rights that are currently exercisable or that may become exercisable within 60 days of March 31, 2011 by such person or group, assuming the stock options, stock-settled stock appreciation rights owned by all other stockholders are not exercised. As of March 31, 2011, there were 303,748,482 shares of our common stock outstanding, and an additional 5,764,812 option shares and stock-settled appreciation rights were exercisable within the 60 days. Unless otherwise indicated, the named person below has the sole voting and dispositive powers with respect to the shares of our common stock set forth opposite such person's name. The total number also includes, where applicable, shares of common stock granted to each non-employee director under our 2004 Non-Employee Director Incentive Plan and the 2005 KCS Plan and restricted shares of common stock granted to each officer under the 2004 Employee Incentive Plan. Information is provided for reporting purposes only and should not be construed as an admission of actual beneficial ownership.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<i>Directors</i>		
Floyd C. Wilson	4,076,250 ⁽¹⁾	1.34%
James W. Christmas	2,613,251 ⁽²⁾	*
Thomas R. Fuller	55,982	*
James L. Irish III	149,244 ⁽³⁾	*
Gary A. Merriman	91,020 ⁽⁴⁾	*
Robert G. Raynolds	1,000,507 ⁽⁵⁾	*
Stephen P. Smiley	17,500 ⁽⁶⁾	*
Robert C. Stone, Jr.	147,300 ⁽⁷⁾	*
Christopher A. Viggiano	128,210 ⁽⁸⁾	*

* The percentage of shares beneficially owned by this director does not exceed one percent of the shares of our common stock outstanding.

(1) Includes options to purchase 656,999 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 150,000 stock appreciation rights. Includes 190,001 shares of unvested restricted common stock of Petrohawk over which Mr. Wilson has sole power to vote but disposition rights are currently restricted. Includes 200,000 shares of Petrohawk common stock held by his grantor retained annuity trust over which Mr. Wilson has sole voting and sole dispositive power. Includes 24,700 shares held in trust for Mr. Wilson's children and grandchildren, over which he has no voting or dispositive power and as to which Mr. Wilson disclaims any beneficial ownership.

(2) Mr. Christmas has sole voting and dispositive power over 2,061,841 shares of Petrohawk common stock, including 60,000 shares of Petrohawk common stock held by his grantor retained annuity trust. Includes 59,400 shares held in trust for Mr. Christmas' children, over which he has no voting or dispositive power and as to which Mr. Christmas disclaims any beneficial ownership. Includes options to purchase 492,010 shares of Petrohawk

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common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011.

- (3) Mr. Irish has sole voting and dispositive power over 107,744 shares of Petrohawk common stock. Mr. Irish has shared voting and dispositive power over 41,500 shares of Petrohawk common stock, which includes 13,000 shares owned by The James L. Irish III Trust, of which Mr. Irish is a trustee and beneficiary, and the following number of shares owned by family trusts of which Mr. Irish is a co-trustee, but not a beneficiary, and for which Mr. Irish shares voting and dispositive powers with co-trustees: (a) The Jonathan Michael Irish Trust (3,500 shares), (b) The Kathleen Ann Irish Trust (12,500 shares), and (c) the Nancy Lynn Irish Trust (12,500 shares).
- (4) Includes options to purchase 21,335 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 7,500 shares held in an IRA over which Mr. Merriman has sole voting and sole dispositive power.
- (5) Includes the following: (a) 17,617 shares held in trust established for the benefit of Mr. Raynolds' children as to which Mr. Raynolds disclaims any beneficial ownership; (b) 797,352 shares held by a family trust for which Mr. Raynolds is a co-trustee and holds a remainder interest in such trust and has shared voting and dispositive power; and (c) 3,478 shares held by a SEP IRA over which Mr. Raynolds has sole voting and sole dispositive power. Also includes options to purchase 30,815 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011.
- (6) Includes 13,000 shares owned by the Smiley Family Trust over which Mr. Smiley shares voting and dispositive powers with his wife as co-trustees.
- (7) Includes options to purchase 75,000 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 2,500 shares held in an IRA over which Mr. Stone has sole voting and sole dispositive power.
- (8) Includes options to purchase 30,815 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 5,100 shares held by his immediate family for which Mr. Viggiano has no voting or dispositive power.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<i>Named Executive Officers (other than Mr. Wilson)</i>		
Mark J. Mize	149,327 ⁽⁹⁾	*
Richard K. Stoneburner	766,134 ⁽¹⁰⁾	*
Larry L. Helm	779,265 ⁽¹¹⁾	*
Stephen W. Herod	850,082 ⁽¹²⁾	*
All Executive Officers and Directors as a group (21 persons)	12,807,937 ⁽¹³⁾	4.22%

* The percentage of shares beneficially owned by this executive officer does not exceed one percent of the shares of our common stock outstanding.

- (9) Includes options to purchase 22,400 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31,

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2011. Includes 73,134 shares of unvested restricted common stock of Petrohawk over which Mr. Mize has sole power to vote but disposition rights are currently restricted.

- (10) Includes options to purchase 338,300 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 124,334 shares of unvested restricted common stock of Petrohawk over which Mr. Stoneburner has sole power to vote but disposition rights are currently restricted.
- (11) Includes options to purchase 344,066 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 73,634 shares of unvested restricted common stock of Petrohawk over which Mr. Helm has sole power to vote but disposition rights are currently restricted.
- (12) Includes options to purchase 316,532 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 96,401 shares of unvested restricted common stock of Petrohawk over which Mr. Herod has sole power to vote but disposition rights are currently restricted.
- (13) With regard to our executive officers who are not named executive officers, includes an aggregate of (i) options to purchase 815,293 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011, (ii) 101,000 stock appreciation rights, and (iii) 439,271 shares of unvested restricted common stock of Petrohawk over which such officers have sole power to vote but disposition rights are currently restricted.

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EXECUTIVE COMPENSATION

The following discussion of executive compensation contains descriptions of various employment-related agreements and employee benefit plans. These descriptions are qualified in their entirety by reference to the full text of the referenced agreements and plans, which have been filed by us as exhibits to our reports on Forms 10-K, 10-Q and 8-K filed with the SEC.

Compensation Discussion and Analysis

Introduction

The following discussion provides an overview of the compensation committee of our board of directors, the background and objectives of our compensation programs for our senior management, and the material elements of the compensation of each of our executive officers identified in the following table, whom we refer to as our named executive officers:

<u>Name</u>	<u>Title</u>
Floyd C. Wilson	Chairman of the Board and Chief Executive Officer (our principal executive officer)
Mark J. Mize	Executive Vice President—Chief Financial Officer and Treasurer (our principal financial officer)
Richard K. Stoneburner	President and Chief Operating Officer
Larry L. Helm	Executive Vice President—Finance and Administration
Stephen W. Herod	Executive Vice President—Corporate Development and Assistant Secretary

Overview of Our Compensation Program

We operate in a highly competitive environment and must attract, motivate and retain experienced and qualified personnel to be successful. We use a competitive mix of fixed and at-risk compensation directly related to stockholder value and our overall performance to achieve our goals and to align the interests of senior management and key employees to those of our stockholders. While we generally target total compensation for our management at approximately the top quartile of our compensation peer group, we utilize a greater percentage, on average, of "at-risk" compensation than our compensation peer group. At-risk compensation includes annual cash incentives, the payment of which depends upon our compensation committees' annual assessment of management performance, and long-term equity incentives. Generally, long-term equity incentives comprise more than 50% of the value of the total compensation paid to our senior management and, of this, approximately 50% has been in the form of stock options with an exercise price equal to the trading price of our common stock on the date of grant, representing a significantly higher percentage of stock options, on average, than has been utilized by our compensation peer group. Stock options become valuable only if our common stock price increases above the option exercise price. Additionally, each equity award that we issue generally vests over a minimum period of three years. Accordingly, these awards are subject to both the risk of fluctuations in the trading price of our common stock and the risk of forfeiture if vesting requirements are not satisfied. We believe that our compensation program helps us achieve our goals and aligns the interests of senior management with those of our stockholders by combining competitive compensation with the opportunity for greater rewards for exceptional performance.

Our performance relative to specified metrics for 2010, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year, as well as a year over year decrease in lease operating expenses per Mcfe of 40%, were significant factors in annual cash and long-term incentive compensation for 2010 and 2011. Other

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factors included the effectiveness of our management in expanding our core resource-style acreage position, overseeing a successful drilling program, divesting approximately \$2.1 billion in non-core assets and managing our liquidity position in a challenging environment.

Our Compensation Committee

The compensation committee of the board of directors is comprised entirely of independent directors in accordance with the rules of the New York Stock Exchange governing listed companies. The current members of our compensation committee are Gary A. Merriman (Chairman), Christopher A. Viggiano, and Robert C. Stone.

The primary duties and responsibilities of the compensation committee are to establish and implement our compensation policies and programs for senior management, including the named executive officers. The compensation committee has the authority under its charter to engage the services of outside advisors, experts and others to assist it. A copy of our compensation committee charter is available on our website at www.petrohawk.com under the section "*About—Corporate Governance*." The compensation committee also periodically reviews and assesses the adequacy of its charter and recommends any proposed changes to our board of directors for approval.

The compensation committee works with our Executive Vice President—Finance and Administration to establish an agenda for each meeting of the compensation committee and, with the assistance of outside advisors, to prepare meeting materials. Our Chief Executive Officer, Executive Vice President—Finance and Administration and outside advisors may be invited to attend all or a portion of a compensation committee meeting depending on the nature of the matters to be discussed. Only members of the compensation committee vote on items before the compensation committee; however, the compensation committee and board of directors often solicit the views of the Chief Executive Officer on compensation matters, including as they relate to the compensation of the other members of senior management.

Objectives of Our Compensation Program

Our success depends on the continued contributions of our senior management and other key employees. Our compensation program is intended to attract, motivate and retain experienced and qualified personnel by providing compensation that is competitive in relation to our peers while fostering an atmosphere of teamwork, recognizing overall business results and individual merit, and that supports the attainment of our strategic objectives by tying the interests of senior management and key employees to those of our stockholders through the use of equity-based compensation.

Design of Our Compensation Program

Our compensation program for senior management, including the named executive officers, is designed to:

- provide compensation that is competitive with our compensation peer group;
- balance short-term and long-term goals through the use of annual cash incentives and grants of long-term equity incentives; and
- deliver a mix of fixed and at-risk compensation that is directly related to stockholder value and our overall performance.

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Each element of compensation is reviewed and considered with the other elements of compensation to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program and that individually and collectively our compensation practices do not encourage inappropriate, unnecessary or excessive risk taking. In determining senior management compensation, including the compensation of the named executive officers, we considered the following factors:

- our operating and financial performance compared with targeted goals;
- our size, growth and performance relative to companies in our compensation peer group;
- each individual's contributions to our overall results; and
- the external challenges to our ability to attract and retain strong management.

The committee retains an independent compensation consultant, Longnecker & Associates, to assist us in evaluating the competitiveness of our executive compensation programs and in assessing whether our compensation practices are achieving our goals. As part of that engagement, for 2010 and 2011 we also asked Longnecker & Associates to review our annual compensation processes and recommend improvements; review our proposed compensation decisions and advise as us to the appropriateness of our determinations; and review this compensation discussion and analysis and suggest improvements to it.

In connection with our annual compensation process in February 2009, we also engaged Longnecker & Associates to generate a report that included a compilation of compensation data based upon our compensation peer group, broad industry-specific compensation survey data for other companies that participate in energy and general industry surveys, as well as particularized data for industry participants to the extent Longnecker & Associates determined that such additional data would prove useful in our compensation process. In connection with our annual compensation processes in February 2010 and 2011 (including the determination of bonuses for performance paid in the following year), we asked our Executive Vice President—Finance and Administration to compile recent compensation data for comparable executives within our current compensation peer group, set forth below, recent fiscal year-end performance data for our compensation peer group, and to provide compensation data drawn from third-party compensation survey data sources, such as Effective Compensation Inc. ("ECI"), relating to executives within our compensation peer group and a broad survey of compensation for executives of exploration and production companies. We refer to the compensation and performance data that we compile internally, that is drawn from third party data sources and that was prepared by our compensation consultant for prior years collectively as the "Survey Data". We use the Survey Data to assess the competitiveness of our compensation programs with our compensation peer group and their effectiveness in achieving our goals. Longnecker & Associates reports directly to the committee and may work with management when preparing materials for the committee. Neither Longnecker & Associates nor any third party data sources, including ECI, provides any other services for us.

In developing our compensation structure, we review the compensation and benefit practices, as well as levels of pay, of a compensation peer group of companies selected by the compensation committee from oil and natural gas exploration and development companies. We periodically review, evaluate and update our compensation peer group to provide ongoing comparability for compensation purposes. Adjustments to our compensation peer group are made from time to time on account of business combinations or sales of peer group companies, as well as when necessary, in the opinion of our compensation committee, to better reflect the companies that compete with us for management talent and share common characteristics with our business, assets, drilling budget and size. However, because we compete for management talent with other companies in the industry who are engaged in the exploration, development and production of oil and natural gas, both onshore and offshore, we also

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compare our pay practices to a broad industry group based upon the Survey Data. For the compensation structure developed for 2010, the compensation peer group consisted of the following twelve companies:

- Cabot Oil & Gas Corporation
- Chesapeake Energy Corporation
- Cimarex Energy Corporation
- Comstock Resources, Inc.
- EXCO Resources, Inc.
- Forest Oil Corporation
- Newfield Exploration Co.
- Plains Exploration & Production Company
- Range Resources Corporation
- Sandridge Energy, Inc.
- Southwestern Energy Company
- St. Mary Land & Exploration Company

In conjunction with our consideration of cash bonuses to be paid in 2011 based upon 2010 performance, as well as in establishing 2011 base salary and equity awards, we revised our compensation peer group from the prior year group to focus more on companies with significant exposure to natural gas in resource style plays and that are comparable in size to us. Accordingly, for 2011, we added EOG Resources Inc., Pioneer Natural Resources Company and Quicksilver Resources Inc. to our compensation peer group and removed Comstock Resources, Inc., and Sandridge Energy, Inc. The changes to our compensation peer group were approved by our compensation committee. Accounting for these changes, our compensation peer group for 2011 consists of the following thirteen companies:

- Cabot Oil & Gas Corporation
- Chesapeake Energy Corporation
- Cimarex Energy Corporation
- EOG Resources, Inc.
- EXCO Resources, Inc.
- Forest Oil Corporation
- Newfield Exploration Co.
- Pioneer Natural Resources Company
- Plains Exploration & Production Company

- Quicksilver Resources Inc.
- Range Resources Corporation
- Southwestern Energy Company
- St. Mary Land & Exploration Company

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During the past several years we have targeted compensation for our management at approximately the 75th percentile (top quartile) of our compensation peer group. We have established compensation at this level because we believe it is necessary for us to attract and retain talented management capable of executing our rapid growth business plan and managing our business in a competitive environment. In establishing total compensation for our management, our compensation committee assesses the performance of our management relative to our peer group and in light of compensation practices among the broader industry group against whom we compete for management talent.

The operating and financial performance factors that we utilize in our compensation program and the goals that we established relative to those factors are discussed in detail below under the heading "Annual Cash Incentives". As discussed below, in establishing bonuses for 2009 (paid in 2010) our emphasis is on our company's performance across various operating metrics and taking into consideration our management's performance in implementing our strategic objectives in light of internal and external challenges encountered during the year. Our compensation committee views the successful implementation of our goals as a "team" effort and does not establish individualized performance targets or goals. However, our compensation committee does recognize that each member of management will contribute to our overall results and the achievement of our goals to varying degrees, and it takes these relative contributions into account in establishing annual cash incentives, also as discussed below.

2010 Compensation Program

Elements of Compensation

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options, stock appreciation rights and restricted stock grants as well as post-termination severance (under certain circumstances), and other benefits and perquisites, consisting of life and health insurance benefits, a qualified 401(k) savings plan, the reimbursement of automobile expenses for our Chief Executive Officer and the reimbursement of certain club dues for our Chief Executive Officer and Chief Financial Officer. From time to time, the compensation committee may utilize a different mix of compensation depending upon the compensation committee's current view of the most efficacious method to provide incentives under current market conditions, taking into account the practices of our peer group, as reflected in the Survey Data. In the interest of promoting an atmosphere of teamwork, we tend to compensate executives at similar levels of responsibility consistently, both with respect to the magnitude and mix of total compensation.

Base Salary

We review base salaries for our Chief Executive Officer and other executives annually to determine if a change is appropriate. In reviewing base salaries, we consider several factors, including a comparison to base salaries paid for comparable positions in the Survey Data, with particular emphasis on our compensation peer group, the relationship among base salaries paid within our company and individual experience and contributions. Our intent is to fix base salaries at levels that we believe are consistent with our program design objectives, including the ability to attract, motivate and retain individuals in a competitive environment. During 2010, we increased the base salaries of the named executive officers based upon our analysis of the foregoing factors.

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Base salaries for our named executive officers in 2010 were as follows:

<u>Name</u>	<u>2010 Base Salary</u>
Floyd C. Wilson	\$ 1,000,000
Mark J. Mize	\$ 390,000
Richard K. Stoneburner	\$ 500,000
Larry L. Helm	\$ 390,000
Stephen W. Herod	\$ 390,000

Subsequent to 2010, and effective March 1, 2011, we increased the base salaries of certain of the named executive officers based upon our annual analysis of competitive market practice. Information regarding the incremental increase for 2011 in the base salary of the named executive officers is set forth below under the heading "*—Compensation Adjustments and Long-term Incentive Awards Subsequent to Fiscal Year End.*"

Annual Cash Incentives

Annual cash incentives for each year are determined during the February following the end of the year, when our results for the preceding year become available. Annual cash incentive compensation is intended to focus and reward individuals on measures identified as having a positive impact on our annual business results. As a general matter, we review the following performance factors in determining annual cash incentives:

- increases in annual production rates;
- growth in proved reserves and resource potential;
- finding and development costs;
- cash flow from operations per share;
- lease operating expenses per mcfe of production;
- general and administrative expenses per mcfe of production; and
- qualitative factors considered significant by the compensation committee.

With respect to some of these factors, our compensation committee establishes targets in advance, generally in February of each year. For certain other factors, the compensation committee does not establish targets but takes performance relative to prior year results into account in establishing compensation. For 2010, our compensation committee established targets for production of between 650 million cubic feet of natural gas equivalents per day (Mmcfe/d) to 660 Mmcfe/d (adjusted downward on account of divestitures from an original 670 to 680 Mmcfe/d); lease operating and workover expense of between \$0.29 - \$0.39 per mcfe; and general and administrative expenses, excluding stock-based compensation expense of between \$0.40 - \$0.50 per mcfe. As noted above, the compensation committee also typically considers other factors, including changes in finding and development costs, growth in proved reserves and future development potential (taking into account acquisitions and divestitures), operating costs and other measures that are indicative of managements' performance as compared to our past performance and the performance of other companies within our peer group. We do not assign in advance any specific weight to any of the performance factors that we take into account in making compensation determinations. The achievement of any specific performance target is not a condition to any cash incentive awards and does not limit the discretion exercised by our compensation committee in making such awards.

We establish bonus targets and performance targets for senior management for a variety of reasons, including to assist in communicating corporate objectives and expectations and to motivate

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management. However, our compensation program is not formulaic or inflexible. We retain the discretion to alter performance factors and targets and, in assessing the performance of the company or an individual, such other factors as we may consider relevant in establishing compensation. Accordingly, compensation, including annual cash compensation, may vary greatly from year to year and from executive to executive as a consequence of corporate performance and individual contribution relative to the factors listed above and other factors that we may consider important, which may carry varying weight over time depending on the circumstances.

In February 2010, taking into account the compensation practices of our compensation peer group, as reflected in the Survey Data, our compensation committee established an annual cash incentive target for senior executives of 100% of base salary, with the understanding that such amount might be earned if the targets for performance factors established by the compensation committee in advance were met and company performance relative to the other performance factors was deemed satisfactory, in our discretion.

In considering 2010 compensation, including annual cash incentives, our compensation committee considered the Company's performance relative to specified metrics, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, each of which was attained despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year. The compensation committee also considered the year over year decrease in lease operating expenses per Mcfe of 40%, as well as other qualitative factors, including the effectiveness of our management in continuing to implement our overall strategy by expanding our core resource-style acreage position, overseeing a successful drilling program and managing our liquidity position in a challenging environment, including through the disposition of \$2.1 billion in assets and refinancing our notes due 2012 and 2013 with notes due 2018 that carry a lower interest rate.

For 2010, we reported production of 675 Mmcfe/d, compared to 502 Mmcfe/d for 2009, representing a 34% year over year increase based upon actual production and above the target range established by our compensation committee; lease operating expense of \$0.26 per mcfe, which was \$0.17 below 2009 and below the target range; and general and administrative expenses of \$0.53 per mcfe, which was lower than the prior year but above the target range due, in part, to costs associated with divestitures during the year and legal settlements that were not contemplated at the time the target was established. We also reported estimated proved reserves of approximately 3.4 Tcfe compared to 2.75 Tcfe for year-end 2009, or 23% higher than year-end 2009 on an actual basis. The qualitative factors relating to the execution of our strategic plan noted above and these quantitative factors influenced the annual cash compensation paid to the named executive officers for 2010.

In light of the foregoing achievements, and taking into account the Survey Data regarding the cash incentives paid to senior management by our compensation peer group, the compensation committee concluded that annual cash compensation similar in magnitude to the prior year (which was generally twice the target established in advance) had been earned for the year. However, the compensation committee recognized that management's operating achievements for the year had not resulted in a higher year-over-year trading price for the Company's common stock. As a consequence, the compensation committee elected to shift a portion of the annual cash incentives to long-term equity incentives to enhance the alignment of management incentives with stockholder interests. Accordingly, the compensation committee generally approved annual cash incentive payments 20% lower than those awarded in 2009, offset by an increase in the value of long-term incentives, discussed below, by a comparable amount. However, Mr. Wilson was ineligible to receive additional long-term equity incentives under the Company's 2004 Employee Incentive Plan because his long-term equity awards equaled the current plan limits per recipient of 200,000 stock options and 100,000 shares of restricted stock per year. As a consequence, the compensation committee approved an annual cash incentive payment for Mr. Wilson 25% higher than the prior year based upon the Survey Data and the

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compensation committee's assessment of his contributions during 2010. Proposal 4 in this proxy statement relates to the amendment of the 2004 Employee Incentive Plan and would, among other things, increase the limits on stock options and restricted stock that a recipient can receive under that plan to 500,000 shares and 500,000 shares, respectively.

The annual cash incentives awarded to the named executive officers for fiscal year 2010 performance are included in the Summary Compensation Table for 2010. The table reflects awards for 2010 performance that were paid during March 2011.

Long-term Incentives

Long-term incentives comprise a significant portion of a senior executive's compensation package. Long-term incentives are consistent with our objective of providing an "at-risk" component of compensation. Our business strategy embraces the consolidation trend in our industry and providing long-term incentive award opportunities for senior executives and key employees both align their interests with those of our stockholders and help to offset the negative implications that such a strategy may have on our ability to attract and retain talented management and key employees.

For the last several years, the compensation committee has awarded grants of restricted stock and stock options to senior executives, each of which is discussed in more detail below, which have been divided approximately equally by value between restricted stock and stock options, because of the differing risk and reward characteristics of these awards. From time to time, the compensation committee may utilize a different mix of stock options, restricted stock and stock appreciation rights, each of which is permitted under our equity incentive plans, discussed in more detail below, depending upon the compensation committee's current view of the most efficacious method to provide incentives under current market conditions and taking into account the practices of our peer group as reflected in the Survey Data. The compensation committee approves the total stock options, restricted stock and stock appreciation rights that will be made available to all employees as well as the size of individual grants for each member of senior management.

All grants are made in accordance with our Equity-Based Incentive Grant Policy, which sets forth the timing of awards and the procedures for making awards and, in the case of stock options and stock appreciation rights, for determining the exercise price or grant value, respectively, of the award. The amounts granted vary each year and are based on management's performance, our analysis of compensation peer group data, the Survey Data and management's total compensation package. Previous awards and grants, whether vested or unvested, may be considered by the compensation committee in establishing the current year's awards and grant, but has generally not been a significant influence in our current compensation practices.

The long-term incentive information related to the named executive officers during fiscal year 2010 is included in this proxy statement in the Summary Compensation Table for 2010. Additional information on long-term incentive awards for 2010 is shown in the Grants of Plan-Based Awards Table and the Outstanding Equity Awards at December 31, 2010 Table. Information regarding long-term equity incentives granted to the named executive officers subsequent to fiscal 2010 is set forth below under the heading "*—Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End.*"

2004 Employee Incentive Plan

On June 3, 2004, our compensation committee and our board of directors approved the Petrohawk Energy Corporation 2004 Employee Incentive Plan, as amended, referred to as the 2004 Petrohawk Plan. On July 15, 2004, the 2004 Petrohawk Plan was approved by our stockholders. Increases to the number of shares available under the 2004 Petrohawk Plan were subsequently approved by our stockholders in November 2004, July 2005, July 2006, July 2007 and June 2009. Subject to certain

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adjustments that may be required from time to time to prevent dilution or enlargement of the rights of participants under the 2004 Petrohawk Plan, currently a maximum of 17.85 million shares of common stock may be issued under the 2004 Petrohawk Plan, including shares already issued and shares subject to outstanding stock option and stock appreciation rights previously issued under the plan. Out of the total number of shares available under the 2004 Petrohawk Plan, a maximum of 8.18 million shares may be issued under awards of restricted stock, incentive stock (stock issued without a restriction period) and stock appreciation rights, including shares already issued and shares subject to outstanding awards.

The 2004 Petrohawk Plan facilitates the issuance of future long-term incentive awards as part of our comprehensive compensation structure and is administered by a committee of non-employee directors of our board of directors, currently our compensation committee. For the year ended December 31, 2010, substantially all of our employees received awards under the 2004 Petrohawk Plan.

The 2004 Petrohawk Plan permits the granting of awards in the form of options to purchase our common stock, shares of restricted stock, shares of incentive stock (stock issued without a restriction period) and stock appreciation rights. Recipients are not permitted to receive in any one year options or stock appreciation rights to purchase or receive in excess of 200,000 shares or grants of restricted or incentive stock in excess of 100,000 shares. As of December 31, 2010, no incentive stock had been issued, a total of 1,689,640 shares of common stock had been issued as restricted stock, 6,346,467 shares were reserved for the exercise of outstanding stock options and 632,571 shares were reserved for the exercise of outstanding stock appreciation rights. As of December 31, 2010, 5,628,506 shares of our common stock remained available for issuance pursuant to the 2004 Petrohawk Plan, not including shares subject to outstanding awards.

The 2004 Petrohawk Plan will expire on June 2, 2014. No grants will be made under the 2004 Petrohawk Plan after that date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of the 2004 Petrohawk Plan. Our board of directors may, in its discretion, terminate the 2004 Petrohawk Plan at any time. The termination of the 2004 Petrohawk Plan would not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. The board may at any time and from time to time amend the 2004 Petrohawk Plan in whole or in part. Any amendment that must be approved by our stockholders in order to comply with the terms of the 2004 Petrohawk Plan, applicable law or the rules of the principal securities exchange, association or quotation system on which our common stock is then traded or quoted will not be effective unless and until such approval has been obtained. The board is not permitted, without the further approval of the stockholders, to make any alteration or amendment that would materially increase the benefits accruing to participants under the 2004 Petrohawk Plan, increase the aggregate number of shares that may be issued pursuant to the provisions of the 2004 Petrohawk Plan, change the class of individuals eligible to receive awards under the 2004 Petrohawk Plan or extend the term of the 2004 Petrohawk Plan.

1999 Incentive and Non-Statutory Stock Option Plan

On August 20, 1999, our board of directors approved the Petrohawk Energy Corporation 1999 Incentive and Non-Statutory Stock Option Plan (the "1999 Plan"). On September 11, 2000, the 1999 Plan was approved by our stockholders. An amendment to the 1999 Plan to increase the number of shares available under the 1999 Plan was subsequently approved by our stockholders on June 20, 2003. As a consequence of the adoption of the 2004 Petrohawk Plan, we no longer grant awards under the 1999 Plan. As of December 31, 2010, a total of 75,000 shares of common stock were issuable upon the exercise of outstanding stock options under the 1999 Plan.

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Incentive Plans Assumed in Connection with Acquisitions

In July 2006, as part of our merger with KCS, we assumed the KCS Energy, Inc. 2001 Employees and Directors Stock Plan (the "2001 KCS Plan") and the 2005 KCS Plan (together with the 2001 KCS Plan, the "KCS Plans"). As of July 18, 2007, no new awards were permitted under the 2005 KCS Plan.

The KCS Plans are administered by our compensation committee. The 2005 KCS Plan permitted grants of awards of options to purchase common stock, shares of restricted stock, shares of incentive stock (stock issued without a restriction period), and stock appreciation rights. On March 2, 2007, 172,850 shares of restricted stock and 397,400 shares of stock appreciation rights were granted under the 2005 KCS Plan to persons that were former employees of KCS and continued to be employed by us. As of December 31, 2010, no shares of restricted stock are outstanding and stock options and appreciation rights covering 1,000,440 shares of our common stock were outstanding under the KCS Plans. All awards outstanding under the 2001 KCS Plan will expire on or before January 3, 2015. All awards outstanding under the 2005 KCS Plan will expire on or before March 2, 2017.

In July 2005, as part of our merger with Mission Resources Corporation, we also assumed the Mission Resources Corporation 2004 Incentive Plan (the "Mission 2004 Plan") and the Mission Resources Corporation 1996 Incentive Plan (the "Mission 1996 Plan," and together, the "Mission Plans"). We do not issue new awards under the Mission Plans. As of December 31, 2010, there were options for the purchase of a total of 31,711 shares of our common stock outstanding under the Mission Plans. All awards outstanding under the Mission Plans expire on or before May 19, 2014.

Stock Options

An important objective of the long-term incentive program is to strengthen the relationship between the long-term value of our stock price and the potential financial gain for employees. Stock options provide senior management and key employees with the opportunity to purchase our common stock at a price fixed on the grant date regardless of future market price. A stock option becomes valuable only if our common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest, thus providing an incentive for an option holder to remain employed by us. Stock options link the option holder's compensation to stockholders' interests by providing an incentive to increase the market price of our stock.

Option grants to senior management are generally considered annually, at the same time as grants are considered for the general eligible employee population, in February, after our year-end results become available. Our practice is that the exercise price for each stock option is the market value on the date of grant, which is normally the date that our compensation committee approves the award at a meeting of the compensation committee or, if later, 48 hours after our release of earnings in accordance with our Insider Trading Policy. Our current policy provides for grants to be made or priced only during a trading window, as set forth in our Insider Trading Policy, and within such window only at such time as there is no material non-public information regarding the company. Under our 2004 Petrohawk Plan the option price may not be less than the fair market value (the closing market price) of the shares on the date of grant. With respect to employees who are not executive officers, the compensation committee may delegate its authority to make such grants to our Chief Executive Officer by specifying the grant date, the total number of shares that may be subject to grants and other material terms of the grants. All proposed stock options to new-hire employees are required to be approved by our compensation committee. Alternatively, our compensation committee may authorize in writing, in advance of any fiscal quarter, the number of shares underlying stock options that may be granted to new hire employees for the following fiscal quarter and provide that our chief executive officer may allocate such stock options at his discretion. The grant date in this instance is generally the first day of the month following the date of hire.

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Stock options generally vest and become exercisable one-third annually after the original grant date. In certain instances, however, stock options may vest on an accelerated basis, such as in the event an executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all stock options held by the executive may automatically vest and become exercisable in accordance with the terms outlined in the stock option award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all stock options held by an executive to automatically vest and become exercisable in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

There is a limited term in which an executive can exercise stock options, known as the "option term." The option term is generally ten years from the date of grant, which is the maximum term of an option permitted under the 2004 Petrohawk Plan, the Mission Plan and the KCS Plans. At the end of the option term, the right to purchase shares pursuant to any unexercised option expires.

The exercise prices of the stock options granted to the named executive officers during fiscal year 2010 are shown in the Grants of Plan-Based Awards in 2010 Table. Additional information on these grants, including the number of shares subject to each grant, also is shown in the Grants of Plan-Based Awards in 2010 Table.

Restricted Stock Awards

During 2010, we granted restricted stock awards to various officers (including our named executive officers) and key employees under the 2004 Petrohawk Plan. Restricted stock awards are shares of our common stock that are awarded with the restriction that the executive remain with us through certain "vesting" dates. Prior to the restrictions thereon lapsing, the participant may not sell, transfer, pledge, assign or take any similar action with respect to the shares of restricted stock which the participant owns. Despite the restrictions, each participant will have full voting rights and will receive any dividends or other distributions, if any, with respect to the shares of restricted stock which the participant owns. Once the restrictions lapse with respect to shares of restricted stock, the participant owning such shares will hold freely-transferable shares, subject only to any restrictions on transfer contained in our certificate of incorporation, bylaws and insider trading policies, as well as any applicable federal or state securities laws.

The compensation committee does take prior grants into account in the design of future programs and awards. Restricted stock awards to senior management are generally considered annually, in February, after our year-end results become available, and at the same time as grants to the general eligible employee population are considered.

Restricted stock awards provide the opportunity for capital accumulation and more predictable long-term incentive value. The purpose of granting restricted stock awards is to encourage ownership, encourage retention of our senior management and result in business decisions that may drive stock price appreciation. Recognizing that our business is subject to significant fluctuations in commodity prices that may cause the market value of our common stock to fluctuate, we also intended the awards to provide an incentive for senior management to remain with us throughout commodity price and business cycles.

Restricted stock awards generally vest one-third annually after the original award date. As a consequence, the recipients do not become unconditionally entitled to retain any of the shares of restricted stock until one year following the date of grant, subject to certain exceptions related to termination of employment. Any unvested restricted stock awards generally are forfeited if the

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executive terminates employment with us. In certain instances, however, restricted stock awards may vest on an accelerated basis, such as in the event of the executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all restricted stock awards held by the executive may automatically vest in accordance with the terms outlined in the restricted stock award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all restricted stock awards held by an executive to automatically vest in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

The restricted stock grants to the named executive officers during fiscal year 2010 are shown in this proxy statement in the Grants of Plan-Based Awards in 2010 Table.

Stock Appreciation Rights

The 2004 Petrohawk Plan permits awards of stock appreciation rights. A stock appreciation right is very similar to a stock option, in that it represents the right to realize the increase in market price, if any, of a fixed number of shares over the grant value of the right, which is equal to the market price of our common stock on the date of grant. However, whereas to realize the value of a stock option the holder typically pays the exercise price in exchange for shares of stock underlying the option, the value embodied by the stock appreciation right, if any, may be settled in exchange for shares of common stock valued on the date of settlement.

Stock appreciation rights provide incentives for the recipient that are very similar to the incentives provided by stock options, in that the stock appreciation right becomes valuable only if our common stock price increases above the grant value of the right and the holder of the right remains employed during the period required for the right to vest, thus providing an incentive for the holder to remain employed by us. Stock appreciation rights link a portion of the holder's compensation to stockholders' interests by providing an incentive to increase the market price of our stock.

Grants of stock appreciation rights to senior management are generally considered annually, at the same time as grants are considered for the general eligible employee population, in February, after our year-end results become available. Our practice is that the grant value for each stock appreciation right is the market value of our common stock on the date of grant, which is normally the date that our compensation committee approves the award at a meeting of the compensation committee or, if later, 48 hours after our release of earnings in accordance with our Insider Trading Policy. Our current policy provides for grants to be made during a trading window, as set forth in our Insider Trading Policy, and within such window only at such time as there is no material non-public information regarding the company. With respect to employees who are not executive officers, the compensation committee may delegate its authority to make such grants to our Chief Executive Officer by specifying the grant date, the total number of shares that may be subject to grants and other material terms of the grants. All proposed grants of stock appreciation rights to new-hire employees are required to be approved by our compensation committee. Alternatively, our compensation committee may authorize in writing, in advance of any fiscal quarter, the number of shares underlying stock appreciation rights that may be granted to new hire employees for the following fiscal quarter and provide that our Chief Executive Officer may allocate such stock options at his discretion. The grant date in this instance is generally the first day of the month following the date of hire.

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Stock appreciation rights generally vest one-third annually after the original grant date. In certain instances, however, stock appreciation rights may vest on an accelerated basis, such as in the event an executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all stock appreciation rights held by the executive may automatically vest in accordance with the terms outlined in the stock appreciation award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all stock appreciation awards held by an executive to automatically vest in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

There is a limited term in which an executive can exercise a stock appreciation right, known as the "term." The term is generally ten years from the date of grant, which is the maximum term permitted under the 2004 Petrohawk Plan. At the end of the term, the right to receive the value of the stock appreciation right expires. No stock appreciation rights were granted in 2010.

Retirement Benefits

We do not maintain a defined benefit pension plan or retiree medical program that covers members of senior management. Retirement benefits to our senior management, including the named executive officers, are currently provided principally through a tax-qualified profit sharing and 401(k) plan (our "Savings Plan"), in which eligible salaried employees may participate. Pursuant to the Savings Plan, employees may elect to reduce their current annual compensation up to the lesser of 75% or the statutorily prescribed limit of \$16,500 in calendar year 2010 (plus up to an additional \$5,500 in the form of "catch-up" contributions for participants age 50 and above), and have the amount of any reduction contributed to the Savings Plan. Our Savings Plan is intended to qualify under sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), so that contributions by us or our employees to the Savings Plan and income earned on contributions are not taxable to employees until withdrawn from the Savings Plan and so that contributions will be deductible by us when made. We match 100% of the amount an employee contributes to the Savings Plan, subject to a 10% maximum based on the employee's compensation as defined in the Savings Plan. Executives participate in the Savings Plan on the same basis as other employees.

The Savings Plan provides for 35 different investment options, for which the participant has sole discretion in determining how both the employer and employee contributions are invested. The independent trustee of the Savings Plan then invests the assets of the Savings Plan as directed by participants. The Savings Plan does not provide our employees the option to invest directly in our securities. The Savings Plan offers in-service withdrawals in the form of after-tax account distributions and age 59.5 distributions.

We believe that the Savings Plan supports the objectives of our compensation structure, including the ability to attract and retain senior and experienced mid- to late-career executives for critical positions within our organization.

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Outstanding Equity Awards Under All Stock Plans:

The following tables represent outstanding equity awards under all equity plans as of December 31, 2010, including the KCS Plans and the Mission Plans. We do not issue new awards under the KCS Plans or the Mission Plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted- Average Exercise Price of Outstanding Options and Rights	Average Remaining Contractual Life (Years)
Stock Options	7,229,684	\$ 14.93	6.9
Stock Appreciation Rights	856,505	\$ 11.64	6.2
Total:	8,086,189	\$ 14.58	6.8

	Number of Securities to be Issued Upon Vesting (#)
Restricted Stock	1,689,640

As of December 31, 2010 a total of 5,628,506 shares were available for future grants under the 2004 Petrohawk Plan and 593,200 shares were available for future grants under the Non-Employee Director Incentive Plan.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

On July 11, 2006, we entered into employment agreements with Messrs. Wilson, Mize, Stoneburner, Helm and Herod. During 2006 we faced increasing competition for management talent at the same time as anticipated changes to our board of directors and the constitution of our compensation committee as a consequence of our pending merger with KCS created greater uncertainty for management. These factors led us to conclude that it was appropriate and in our best interests to enter into employment agreements with each of such named executive officers.

In September 2007, we amended the employment agreements for each of Messrs. Wilson, Mize, Stoneburner, Helm and Herod to clarify payment terms under change of control and employment termination scenarios and to comply with final Section 409A regulations.

In February 2011, we amended the employment agreement with Mr. Wilson to provide for a two year term (the "Term") commencing February 21, 2011, and ending on the February 21, 2013. Prior to the amendment, Mr. Wilson's employment agreement was automatically extended for additional one-year periods on each one-year anniversary of the date of its original execution. Under the amended employment agreement, a failure by the Company to extend Mr. Wilson's employment agreement for an additional Term prior to its expiration will constitute "good reason", permitting Mr. Wilson to terminate the agreement and seek the severance payments and benefits set forth in the employment agreement.

Term of Employment Agreements

The initial term of employment of each of our current named executive officers was two years from the effective date of their employment agreements. Each agreement with an executive other than Mr. Wilson provides for automatic one-year extensions unless either party provides written notice six months prior to expiration of the initial term or any extension. During 2010, the employment agreement with each named executive officer was automatically renewed while Mr. Wilson's employment agreement was renewed for a two year period ending on February 21, 2013.

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Compensation and Benefits

The salary payable to each of the named executives during 2010 is the amount set forth under the heading "*2010 Base Salary*" in the table above. The salary of each executive is subject to periodic review and may be increased from time to time by the compensation committee. The base salary for each of the named executives during 2011 is set forth in under the heading "*Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End*" below. Each executive is eligible to receive bonuses, grants of stock options, restricted stock or other equity awards as determined in the discretion of the compensation committee. Each of the executives is also entitled to reimbursement for reasonable business expenses and to participate in our life, health, and dental insurance programs, and all other employee benefit plans which we may, from time to time, make available. We do not provide tax gross-ups for compensation or benefits, other than under limited circumstances where excise taxes are imposed by Section 4999 or Section 409A of the Code.

Our Chief Executive Officer is entitled under his employment agreement to receive a vehicle allowance and reimbursement for admission to, and the dues for, one club membership. Our Chief Financial Officer is entitled under his employment agreement to be reimbursed for admission to, and the dues for, one club membership.

Our use of expense reimbursement and perquisites as an element of compensation is limited and is largely based on historical practices. We do not view these items as a significant element of our compensation structure but do believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment. The compensation committee annually reviews these items provided to determine if they are appropriate and if any adjustments are warranted.

Termination Provisions and Severance Payments

We may terminate each executive's employment upon disability, and at any time for cause or without cause. Each executive may terminate his employment at any time, and such termination will be deemed to be with "good reason" if it is based on uncured material breaches of his employment agreement by us, a reduction in the base compensation or target bonus payable to him, a material reduction in the scope of his office and responsibilities, a failure by us to continue any compensation or benefit plan that is material to the executive's total compensation or the permanent relocation of the executive outside of the metropolitan area of Houston, Texas. If the employment of any of the executives is terminated by death or disability, such executive (or his personal representative in the event of death) is entitled to receive his accrued unpaid base compensation, plus an optional bonus to be determined by the compensation committee, and all stock options and other incentive awards held by the executive will become fully vested and immediately exercisable, and all restrictions on any shares of restricted stock will be removed. If the employment of any of the executives is terminated by us for cause, such executive (or his or her personal representative in the event of death) is entitled to receive his accrued unpaid base compensation.

If the employment of any executive is terminated by us without cause or by such executive with good reason, and such termination is not within two years after a change in control, such executive will be entitled to the accrued portion of unpaid salary, payment of the greater of a prorated amount of the executive's bonus for the year in which the termination occurs or a bonus for such year as may be determined by our compensation committee or our board in their sole discretion, a severance payment equal to one year's base salary plus the higher of the current year target bonus or the bonus paid for the preceding year, payment of the premiums for medical and dental insurance for him and his entire family for one year following termination, and the full vesting of all his unvested options and all restrictions removed from his shares of restricted stock. If such executive is terminated by us without cause or such executive terminates his employment with the Company *with or without* good reason, and such termination is within two years after a change in control, such executive will be entitled to receive

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the accrued portion of unpaid salary, payment of the greater of a prorated amount of the executive's bonus for the year in which the termination occurs or a bonus for such year as may be determined by our compensation committee or our board in their sole discretion, a severance payment equal to two times his base salary plus the higher of the current year target bonus or the bonus paid for the year prior to the year in which the change of control occurred, payment of the premiums for medical and dental insurance for him and his entire family for two years following termination, and the full vesting of all his unvested options and all restrictions removed from his shares of restricted stock. If the employment of such executive is terminated by such executive without good reason and not within two years after a change in control, such executive is entitled to receive his accrued unpaid base compensation.

The employment agreements with the named executive officers generally define a change of control to mean any of the following events:

- any person or group becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the total voting power of our outstanding voting stock;
- our merger with or consolidation into another entity and, immediately after giving effect to the merger or consolidation, one or both of the following occurs: (a) less than 50% of the total voting power of the outstanding voting stock of the surviving or resulting entity is then "beneficially owned" in the aggregate by our stockholders immediately prior to such merger or consolidation, or (b) the individuals who were members of our board of directors immediately prior to the execution of the agreement providing for the merger or consolidation do not constitute at least a majority of the members of the board of directors of the surviving or resulting entity;
- we sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our assets to a third party in one transaction or a series of related transactions;
- individuals who constitute our board of directors cease for any reason to constitute at least a majority of our board of directors unless such persons were elected, appointed or nominated by a vote of at least a majority of our incumbent directors; or
- the complete liquidation or dissolution of our company.

In our view, having the change of control and severance protections helps to maintain the named executive officer's objectivity in decision-making and provides another vehicle to align the interests of our named executive officer with the interests of our stockholders.

The following table sets forth the estimated amounts that would be payable to each of the named executives upon a termination under the scenarios outlined above, excluding termination for cause or on account of death or disability, assuming that such termination occurred on December 31, 2010 and using the closing price of our common stock at December 31, 2010 for purposes of the calculations as required by the SEC. The dollar amounts set forth under the column heading "*Early Vesting of Restricted Stock/Options*" correspond to the amounts that would be paid, in addition to accrued and unpaid salary through the date of death or disability, in the event of the death or disability at year-end

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of each of the executives. There can be no assurance that these scenarios would produce the same or similar results as those disclosed if a termination occurs in the future.

	Severance Payment ⁽¹⁾	Early Vesting of Restricted Stock/Options ⁽²⁾	Other ⁽³⁾	Total ⁽⁴⁾
<i>Without Cause/For Good Reason</i>				
Floyd C. Wilson	\$ 3,500,000	\$ 3,379,611	\$ 23,352	\$ 6,902,963
Mark J. Mize	\$ 950,000	\$ 1,202,851	\$ 18,813	\$ 2,171,664
Richard K. Stoneburner	\$ 1,220,000	\$ 1,915,811	\$ 23,352	\$ 3,159,163
Larry L. Helm	\$ 950,000	\$ 1,252,809	\$ 22,963	\$ 2,225,772
Stephen W. Herod	\$ 1,110,000	\$ 1,426,840	\$ 22,963	\$ 2,559,803
<i>Following Change of Control</i>				
Floyd C. Wilson	\$ 7,000,000	\$ 3,379,611	\$ 23,352	\$ 10,402,963
Mark J. Mize	\$ 1,900,000	\$ 1,202,851	\$ 18,813	\$ 3,121,664
Richard K. Stoneburner	\$ 2,440,000	\$ 1,915,811	\$ 23,352	\$ 4,379,163
Larry L. Helm	\$ 1,900,000	\$ 1,252,809	\$ 22,963	\$ 3,175,772
Stephen W. Herod	\$ 2,220,000	\$ 1,426,840	\$ 22,963	\$ 3,669,803

- (1) Represents total annual compensation (2010 salary plus 2010 bonus) multiplied, in the event of a change of control, by 2.
- (2) As reflected above, the value of unvested restricted stock, stock options and stock appreciation rights that would vest under each of these termination scenarios is based on our common stock price at December 31, 2010. Amounts do not include the dollar value of restricted stock or stock options that vested prior to December 31, 2010.
- (3) Represents an estimate of health insurance benefits to be provided under each of the scenarios based on actual amounts paid out in 2010.
- (4) Excludes gross-up payments, if any, to cover excise taxes imposed under Code Section 4999 or Section 409A.

Board Representation

Mr. Wilson's employment agreement provides that he will be nominated as a member of our board of directors, and that we will use our best efforts to cause him to be elected, appointed, or re-elected or re-appointed, as a director.

Indemnification Agreements

We have entered into an indemnification agreement with each of our independent, non-management directors and senior executives. These agreements provide for us to, among other things, indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers, to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such person under any directors' and officers' liability insurance policy we choose, in our discretion, to maintain. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under applicable indemnification rights statutes in the State of Delaware and are in addition to any other rights such person may have under our certificate of incorporation, bylaws and applicable law. We believe these indemnification agreements enhance our ability to attract and retain knowledgeable and experienced executives and independent, non-management directors.

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Tax Deductibility

Section 162(m) of the Code limits the deductibility of compensation in excess of \$1 million paid to our Chief Executive Officer and our four other highest-paid executive officers unless the compensation is performance-based as determined by applying certain specific and detailed criteria. We believe that it is often desirable and in our best interests to deduct compensation payable to our executive officers. However, we also believe that there are circumstances where our interests are best served by maintaining flexibility in the way compensation is provided, even if it might result in the non-deductibility of certain compensation under the Code. In this regard, we consider the anticipated tax treatment to our company and our executive officers in the review and establishment of compensation programs and payments; however, we may from time to time pay compensation to our executives that may not be deductible, including discretionary bonuses or other types of compensation outside of our plans.

Although equity awards may be deductible for tax purposes by us, the accounting rules pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Options (the successor to FASB Statement No. 123 (revised 2004) ("ASC Topic 718")) require that the portion of the tax benefit in excess of the financial compensation cost be recorded to paid-in-capital.

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Summary Compensation Table

The table below sets forth information regarding compensation for our named executive officers for the periods indicated:

Name and Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards ⁽²⁾	Option/ SAR Awards ⁽²⁾	All Other Compensation	Total
						(3)	(4)
Floyd C. Wilson	2010	\$ 1,000,000	\$ 2,500,000	\$ 2,118,000	\$ 2,060,000	\$ 59,760 ⁽⁵⁾	\$ 7,737,760
						(3)	(4)
Chairman of the Board and Chief	2009	\$ 965,000	\$ 2,000,000	\$ 1,066,100	\$ 1,317,200	\$ 58,832 ⁽⁵⁾	\$ 5,407,132
						(3)	(4)
Executive Officer	2008	\$ 660,000	\$ 2,000,000	\$ 958,240	\$ 751,180	\$ 32,540 ⁽⁵⁾	\$ 4,401,960
						(3)	
Mark J. Mize	2010	\$ 390,000	\$ 560,000	\$ 692,586	\$ 692,160	\$ 46,894 ⁽⁶⁾	\$ 2,381,640
						(3)	
Executive Vice President—Chief Financial	2009	\$ 350,000	\$ 700,000	\$ 426,440	\$ 519,760	\$ 46,337 ⁽⁶⁾	\$ 2,042,537
						(3)	
Officer and Treasurer	2008	\$ 300,000	\$ 600,000	\$ 343,520	\$ 264,500	\$ 21,112 ⁽⁶⁾	\$ 1,529,132
						(3)	
Richard K. Stoneburner President and Chief Operating Officer	2010	\$ 500,000	\$ 720,000	\$ 1,154,310	\$ 1,152,570	\$ 44,963 ⁽³⁾	\$ 3,571,843
	2009	\$ 450,000	\$ 900,000	\$ 839,940	\$ 619,440	\$ 44,907 ⁽³⁾	\$ 2,854,287
	2008	\$ 350,000	\$ 1,000,000	\$ 470,080	\$ 359,720	\$ 20,500 ⁽³⁾	\$ 2,200,300
						(3)	
Larry L. Helm Executive Vice President—Finance and Administration	2010	\$ 390,000	\$ 560,000	\$ 692,586	\$ 692,160	\$ 40,813 ⁽³⁾	\$ 2,375,559
	2009	\$ 375,000	\$ 700,000	\$ 426,440	\$ 519,760	\$ 40,394 ⁽³⁾	\$ 2,061,594
	2008	\$ 350,000	\$ 700,000	\$ 488,160	\$ 386,170	\$ 20,500 ⁽³⁾	\$ 1,944,830
						(3)	
Stephen W. Herod Executive Vice President—Corporate Development and Assistant Secretary	2010	\$ 390,000	\$ 720,000	\$ 923,448	\$ 922,880	\$ 45,352 ⁽³⁾	\$ 3,001,680
	2009	\$ 350,000	\$ 900,000	\$ 426,440	\$ 519,760	\$ 44,776 ⁽³⁾	\$ 2,240,976
	2008	\$ 325,000	\$ 650,000	\$ 415,840	\$ 333,270	\$ 15,500 ⁽³⁾	\$ 1,739,610

(1) Comprised of annual cash incentive bonus paid subsequent to year end for prior year performance.

(2) Represents the grant date fair value of awards granted during the indicated year, as determined in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholder's Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. See the "Grants of Plan-Based Awards Table" for information on awards made in 2010. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers.

(3) Includes the matching contribution that we make on account of employee contributions under our tax-qualified profit sharing and 401(k) plan. Also includes benefit plan contributions for 2010.

(4) Includes \$3,602, \$1,168 and \$3,507 relating to club dues paid by the company in 2008, 2009 and 2010, respectively.

(5) Includes \$8,438, \$12,758 and \$10,900 relating to use of company automobile in 2008, 2009 and 2010, respectively.

(6) Includes \$5,612, \$7,061 and \$7,430 relating to club dues paid by the company in 2008, 2009 and 2010, respectively.

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Grants of Plan-Based Awards in 2010

The table below sets forth information regarding grants of plan-based awards made to our named executive officers during 2010.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			Type of Award (#) ⁽²⁾	Exercise or Base Price of Option Awards (\$/Sh) ⁽³⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁴⁾
		Threshold (#) ⁽¹⁾	Target (#)	Maximum (#) ⁽¹⁾			
Floyd C. Wilson	2/24/2010	—	200,000	—	Options	\$ 21.18	\$2,060,000
					Restricted		
	2/24/2010	—	100,000	—	Stock	—	\$2,118,000
Mark J. Mize	2/24/2010	—	67,200	—	Options	\$ 21.18	\$ 692,160
					Restricted		
	2/24/2010	—	32,700	—	Stock	—	\$ 692,586
Richard K. Stoneburner	2/24/2010	—	111,900	—	Options	\$ 21.18	\$1,152,570
					Restricted		
	2/24/2010	—	54,500	—	Stock	—	\$1,154,310
Larry L. Helm	2/24/2010	—	67,200	—	Options	\$ 21.18	\$ 692,160
					Restricted		
	2/24/2010	—	32,700	—	Stock	—	\$ 692,586
Stephen W. Herod	2/24/2010	—	89,600	—	Options	\$ 21.18	\$ 922,880
					Restricted		
	2/24/2010	—	43,600	—	Stock	—	\$ 923,448

- (1) Awards granted under our 2004 Employee Incentive Plan provide only for a single estimated payout. Under our 2004 Employee Incentive Plan there are no minimum amounts payable for a certain level of performance and there are no maximum payouts possible above the target. Thus, there are no thresholds or maximums (or equivalent items) applicable to these awards.
- (2) Represents shares of restricted stock or stock options issued under our 2004 Employee Incentive Plan. The shares of restricted stock and stock options vest in three equal installments on each anniversary of the date of grant, beginning on the first anniversary of the date of grant, in each case provided that the recipient has been continuously employed at such date.
- (3) The exercise price of each award is equal to the closing market price of our common stock on the date of grant.
- (4) Represents the full grant date fair value determined in accordance with ASC Topic 718. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholders' Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers.

Outstanding Equity Awards at December 31, 2010

The following table summarizes the number of securities underlying outstanding plan awards for each named executive officer as of December 31, 2010.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (1)(2) (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Shares or Units of Stock That Have Not Vested(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Floyd C. Wilson	150,000		—	\$ 7.50	07/12/2014	164,334	\$2,999,096	—	\$ —
	175,000			\$ 8.51	01/26/2015				
	150,000			\$ 11.64	03/02/2017				
	94,666	47,334		\$ 18.08	02/28/2018				
	61,666	123,334		\$ 15.23	03/02/2019				
		200,000		\$ 21.18	02/24/2020				
Mark J. Mize	15,000		—	\$ 10.23	08/11/2016	57,701	\$1,053,043	—	\$ —
	30,000			\$ 11.64	03/02/2017				
	33,333	16,667		\$ 18.08	02/28/2018				
	24,333	48,667		\$ 15.23	03/02/2019				
		67,200		\$ 21.18	02/24/2020				
Richard K. Stoneburner	75,000		—	\$ 7.50	07/12/2014	95,167	\$1,736,798	—	\$ —
	100,000			\$ 8.51	01/26/2015				
	60,000			\$ 11.64	03/02/2017				
	45,333	22,667		\$ 18.08	02/28/2018				
	29,000	58,000		\$ 15.23	03/02/2019				
		111,900		\$ 21.18	02/24/2020				
Larry L. Helm	75,000		—	\$ 7.50	07/12/2014	60,367	\$1,101,698	—	\$ —
	125,000			\$ 8.51	01/26/2015				
	60,000			\$ 11.64	03/02/2017				
	48,666	24,334		\$ 18.08	02/28/2018				
	24,333	48,667		\$ 15.23	03/02/2019				
		67,200		\$ 21.18	02/24/2020				
Stephen W. Herod	75,000		—	\$ 7.50	07/12/2014	69,934	\$1,276,296	—	\$ —
	100,000			\$ 8.51	01/26/2015				
	60,000			\$ 11.64	03/02/2017				
	42,000	21,000		\$ 18.08	02/28/2018				
	24,333	48,667		\$ 15.23	03/02/2019				
		89,600		\$ 21.18	02/24/2020				

(1) Represents unvested stock options.

(2) Awards held by executives vest in three equal installments on each anniversary of the date of grant, beginning on the first anniversary of the date of grant, provided that the recipient has been continuously employed at such date.

(3) Calculated based upon the closing market price of our common stock as of December 31, 2010, the last trading day of our 2010 fiscal year (\$18.25) multiplied by the number of unvested awards at year end.

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Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End

Subsequent to December 31, 2010, as part of the analysis of executive compensation that is undertaken annually by our compensation committee, we approved increases in the base salaries of each of our named executive officers and granted awards to each executive officer of long-term equity incentives under our Third Amended and Restated 2004 Employee Incentive Plan. These incentives were in the form of grants of restricted stock and non-qualified stock options. The restricted stock grants and non-qualified stock options vest in three equal annual increments beginning on the first anniversary of the grant date. The incremental increase in salary and the number of shares covered by the equity awards for each named executive officer are set forth in the table below. The exercise price per share for each stock option reflected in the following table is \$20.57, which was the closing market price of our common stock on the date of grant, February 23, 2011.

<u>Name</u>	<u>Salary Increase</u>	<u>2011 Base Salary</u>	<u>Number of Shares Underlying Stock Options (#)</u>	<u>Restricted Stock Award (#)</u>
Floyd C. Wilson	\$ —	\$ 1,000,000	200,000	100,000
Mark J. Mize	\$ 10,000	\$ 400,000	82,000	42,000
Richard K. Stoneburner	\$ 75,000	\$ 575,000	132,000	67,000
Larry L. Helm	\$ 10,000	\$ 400,000	83,500	42,500
Stephen W. Herod	\$ 10,000	\$ 400,000	114,000	58,000

Option Exercises and Stock Vested

The following table summarizes option exercises and the vesting of restricted stock for our named executive officers in 2010.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise</u>	<u>Value Realized on Exercise</u>	<u>Number of Shares Acquired on Vesting (#)⁽¹⁾</u>	<u>Value Realized on Vesting</u>
Floyd C. Wilson	—	—	66,000	\$ 1,436,083 ⁽²⁾
Mark J. Mize	—	—	25,666	\$ 528,126 ⁽³⁾
Richard K. Stoneburner	—	—	39,667	\$ 807,264 ⁽⁴⁾
Larry L. Helm	—	—	31,667	\$ 668,377 ⁽⁵⁾
Stephen W. Herod	—	—	27,000	\$ 587,273 ⁽⁶⁾

(1) Represents vesting of various restricted stock grants made to each individual during years 2007, 2008 and 2009.

(2) Represents the market-close prices of \$21.40, \$21.89 and \$21.89 of our common stock on the dates of vesting of 17,667, 25,000 and 23,333 shares, respectively.

(3) Represents the market-close prices of \$21.40, \$21.89, \$21.89 and \$15.77 of our common stock on the dates of vesting of 6,333, 5,000, 9,333 and 5,000 shares, respectively.

(4) Represents the market-close prices of \$21.40, \$21.89, \$21.89, \$15.95 and \$16.47 of our common stock

on the dates of vesting of 8,667, 10,000, 11,000, 5,000 and 5,000 shares, respectively.

- (5) Represents the market-close prices of \$21.40, \$21.89, \$21.89 and \$15.77 of our common stock on the dates of vesting of 9,000, 10,000, 9,333 and 3,334 shares, respectively.
- (6) Represents the market-close prices of \$21.40, \$21.89 and \$21.89 of our common stock on the dates of vesting of 7,667, 10,000 and 9,333 shares, respectively.

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2010 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance. The numbers of shares of stock issuable upon exercise of options and the per share option exercise prices, and the number of securities remaining available for future issuance under equity compensation plans used in the following table reflect an adjustment for the one-for-two reverse stock split effective May 26, 2004.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights(a) (#)</u>	<u>Weighted- Average Exercise Price of Outstanding Options and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (#)</u>
Equity compensation plans approved by security holders (1)	9,775,829 ⁽²⁾ \$	14.58	6,221,706
Equity compensation plans not approved by security holders	— \$	—	—
Total	9,775,829⁽²⁾\$	14.58	6,221,706

(1) Represents information for the 2004 Employee Incentive Plan, 2004 Non-Employee Director Incentive Plan, 75,000 shares covered by the 1999 Plan, 1,000,400 shares covered by the 2001 KCS and 2005 KCS Plans which we assumed in our merger with KCS, 31,711 shares under plans that we assumed in our merger with Mission Resources Corporation. We do not issue new grants under these assumed plans or our 1999 plan.

(2) Includes 1,689,640 shares of unvested restricted stock.

Stock Ownership Policy

February 17, 2011, our board of directors, adopted a Stock Ownership Guidelines Policy (the "Policy") applicable to our board of directors and Chief Executive Officer to ensure that they maintain a meaningful economic stake in the Company. The Policy is designed to maintain stock ownership of our directors and Chief Executive Officer at a significant level so as to further align their interests with the interests of our stockholders in value creation. Our directors are required to hold a number of shares of our common stock valued at three times (3x) the annual cash retainer paid to them by the Company and our Chief Executive Officer is required to hold a number of shares of our common stock valued at three times (3x) the base salary paid to him by the Company. Shares are valued at the average closing prices for our common stock for the previous year. Unexercised stock options and unvested restricted stock are not counted towards meeting these requirements.

Under the Policy, our directors and Chief Executive Officer have three years to comply with the ownership requirement starting from the later of the date the Policy was adopted and the date the person first became a member of the board of directors or Chief Executive Officer, as applicable. Until the applicable stock ownership level is attained, persons subject to the Policy are required to retain 50% of shares of common stock received as a result of the exercise of stock options or vesting of shares of restricted stock, in each case net of share sold to pay applicable withholding taxes and, in the case of an option, the exercise price. Deviations and waivers from the Policy must be approved by the board of directors upon a recommendation from our Nominating and Corporate Governance Committee.

DIRECTOR COMPENSATION

2010 Director Compensation

The table below sets forth certain information concerning the compensation earned in 2010 by our non-employee directors for service on our board of directors during 2010.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards⁽¹⁾</u>	<u>Option Awards</u>	<u>All Other Compensation</u>	<u>Total⁽²⁾</u>
James W. Christmas	\$ 95,417	\$ 285,280	\$ —	\$ —	\$ 380,697
Tucker S. Bridwell (3)	\$ 82,536 ⁽⁴⁾	\$ 190,781	\$ —	\$ —	\$ 273,317
Thomas R. Fuller	\$ 99,583	\$ 190,781	\$ —	\$ —	\$ 290,364
James L. Irish III	\$ 107,917	\$ 221,092	\$ —	\$ —	\$ 329,009
Gary A. Merriman	\$ 105,417	\$ 190,781	\$ —	\$ —	\$ 296,198
Robert G. Raynolds	\$ 85,417 ⁽⁴⁾	\$ 190,781	\$ —	\$ —	\$ 276,198
Stephen P. Smiley ⁽⁵⁾	\$ 68,587	\$ 241,726	\$ —	\$ —	\$ 310,313
Robert C. Stone, Jr.	\$ 101,042	\$ 190,781	\$ —	\$ —	\$ 291,823
Christopher A. Viggiano	\$ 97,917	\$ 190,781	\$ —	\$ —	\$ 288,698

- (1) Represents the grant date fair value of awards granted during the indicated year, as determined in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholder's Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by our directors.
- (2) Represents the numerical sum of the dollar amounts reflected in each other column for each director.
- (3) Mr. Bridwell resigned from our board of directors effective December 9, 2010.
- (4) Prior to each calendar quarter, in lieu of cash fees for the quarter, directors may elect to receive shares of common stock having a value equal to the amount of such fees, calculated on the basis of the closing price of shares of our common stock on the NYSE on the last day of such quarter. Messrs. Bridwell and Raynolds elected to receive substantially all of their board fees in shares of common stock. The total number of shares received by Messrs. Bridwell and Raynolds in 2010 in lieu of fees was 3,717 shares and 4,809 shares, respectively.
- (5) Mr. Smiley joined our board of directors on April 5, 2010.

The aggregate number of restricted stock awards subject to vesting, excluding shares received in lieu of fees, made to each of our directors for service as a director during 2010 was as follows:

<u>Award Stock</u>	<u>Christmas</u>	<u>Bridwell</u>	<u>Fuller</u>	<u>Irish</u>	<u>Merriman</u>	<u>Raynolds</u>	<u>Smiley</u>	<u>Stone Jr.</u>	<u>Viggiano</u>
Awards	16,000	10,700	10,700	12,400	10,700	10,700	13,000	10,700	10,700

Discussion of Director Compensation Table

Employee directors receive no additional compensation for service on our board of directors or any committee of the board of directors. All directors receive actual expense reimbursements associated with attending board and committee meetings. Our non-employee directors each receive \$80,000 in cash per year (payable on a quarterly basis in the amount of \$20,000). The chairman of our audit

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committee receives an additional \$30,000 per year (payable on a quarterly basis in the amount of \$7,500), and each member of our audit committee (other than the chairman) receives an additional \$10,000 per year (payable on a quarterly basis in the amount of \$2,500). Additional annual compensation for each committee chairperson and committee member for all of the committees of our board of directors is set forth below:

<u>Board Committee</u>	<u>Committee Chairperson Additional Compensation</u>	<u>Committee Member (excluding Chairperson) Additional Compensation</u>
Audit	\$ 30,000	\$ 10,000
Compensation	\$ 20,000	\$ 10,000
Nominating and Corporate Governance	\$ 10,000	\$ 7,500
Reserves	\$ 10,000	\$ 7,500

Fees are paid in four equal quarterly installments and board members may elect to take all or a portion of the cash compensation we pay to them in shares of our common stock, with the number of shares determined by dividing such fees by the trading price per share of our common stock on the last day of each calendar quarter. Any such election must be made prior to the beginning of the quarter for which the compensation is to be paid and is irrevocable for that quarter.

2004 Non-Employee Director Incentive Plan

In July 2004 the Company adopted the 2004 Non-Employee Director Incentive Plan covering 200,000 shares. The plan provides for the grant of both stock options and restricted shares of the Company's stock. This plan was designed to attract and retain the services of directors. On each of July 12, 2006 and June 18, 2009, the Company and its stockholders approved amendments to the Company's 2004 Non-Employee Director Incentive Plan to increase the total number of shares available for issuance thereunder to 1,100,000. The current total number of shares available for issuance under the 2004 Non-Employee Director Incentive Plan is approximately 593,200 shares. At December 31, 2010, all non-employee director grants had been fully vested and 593,200 shares were available for issuance pursuant to future awards that may be granted under the plan.

Under the 2004 Non-Employee Director Incentive Plan, within 60 days after a person becomes a non-employee director, we grant such director the number shares of our restricted common stock the value of which equals \$50,000. In addition, effective on the date of the Company's Annual Meeting of Stockholders, we grant to each director the number shares of our restricted common stock the value of which equals \$190,000, and we grant to the Vice Chairman an additional number of shares of our restricted common stock the value of which equals \$95,000 and we grant to the Lead Director an additional number of shares of our restricted common stock the value of which equals \$31,000. For the purposes of determining the value of the shares of restricted stock to be issued, the closing price of the Company's common stock as reported on the date of grant is used, and in calculating the number of shares of restricted stock to be issued, the number of shares is rounded up to the nearest 100 shares.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Merriman and Viggiano served on the compensation committee of our board of directors throughout 2010. Mr. Fuller served on the compensation committee from January 1, 2010 through April 29, 2010, when Mr. Fuller stepped down from the committee and Messrs. Stone and Bridwell joined the committee to serve through the remainder of 2010. Mr. Bridwell's service on the compensation committee ended on December 9, 2010 when he resigned from our board of directors. No member of the compensation committee during 2010 served as one of our officers or employees or of any of our subsidiaries during that year. In addition, during 2010, none of our executive officers served

as a director or as a member of the compensation committee of a company which employs any of our directors.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management as required by Item 402(b) of Regulation S-K. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

MEMBERS OF THE
COMMITTEE:

Gary A. Merriman (Chairman)
Robert C. Stone, Jr.
Christopher A. Viggiano

(The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed to be filed or incorporated by reference into any other filing of Petrohawk under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Petrohawk specifically incorporates the Report by reference therein.)

ACCOUNTANTS AND AUDIT COMMITTEE

Audit Committee Report

Dear Stockholder:

The Audit Committee has reviewed and discussed with management of Petrohawk and Deloitte & Touche LLP ("Deloitte"), the firm serving as the independent registered public accountants of Petrohawk, the audited financial statements of Petrohawk as of, and for the fiscal year ended, December 31, 2010 (the "Audited Financial Statements"). In addition, we have discussed with Deloitte the matters required to be discussed by the statement on Auditing Standard No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also has received the written disclosures and the letter from Deloitte required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and the Committee has discussed with that firm its independence from Petrohawk. Upon such review, the Audit Committee has concluded that the independent registered public accountants are independent from Petrohawk and its management. We have also discussed with management of Petrohawk and Deloitte such other matters and received such assurances from them as we deemed appropriate.

Management is responsible for Petrohawk's internal controls and the financial reporting process. Deloitte is responsible for performing an independent audit of Petrohawk's financial statements and of its internal control over financial reporting in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing monitoring and oversight process, discussions with management and a review of the report of Deloitte with respect to the Audited Financial Statements, and relying thereon, the Committee has recommended to the Board the inclusion of the Audited Financial Statements in Petrohawk's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

The Audit Committee has considered the requirements of the Sarbanes-Oxley Act of 2002 with respect to the responsibilities of audit committees of public companies. The Audit Committee and the Board of Petrohawk are committed to compliance with all provisions of that statute and related regulations. Actions will be taken by the Audit Committee and the Board as statutory and regulatory provisions become effective for Petrohawk and for audit committees and independent registered public accountants generally.

MEMBERS OF THE COMMITTEE:

James L. Irish III (Chairman)
James W. Christmas
Stephen P. Smiley
Christopher A. Viggiano

(The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of Petrohawk under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Petrohawk specifically incorporates the Report by reference therein.)

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Independent Registered Public Accounting Firm

Deloitte is the independent registered public accounting firm selected by our audit committee as the independent registered public accountants for the fiscal year ended December 31, 2010. Our audit committee has also appointed Deloitte as the independent registered public accountants for the fiscal year ended December 31, 2011, and is proposing ratification of such appointment to our stockholders.

Attendance at the Annual Meeting by Deloitte & Touche LLP Representative

A representative of Deloitte is expected to be present at the annual meeting of the stockholders. Deloitte will have the opportunity to make a statement if it desires to do so, and the Deloitte representative is expected to be available to respond to appropriate questions.

Fees

The following table presents fees billed for professional audit services rendered by Deloitte, our principal accounting firm, for the audit of our annual financial statements for the years ended December 31, 2010 and December 31, 2009, and fees for other services rendered by Deloitte during those periods. Except as set forth below, we paid all such fees.

	2010	2009
Audit Fees	\$ 1,928,898	\$ 1,518,509
Audit-Related Fees	401,955	350,734
Tax Fees	20,306	110,422
All Other Fees	—	—
Total	<u>\$ 2,351,159</u>	<u>\$ 1,979,665</u>

As used above, the following terms have the meanings set forth below:

Audit Fees. The fees for professional services rendered by Deloitte for the audit of our annual financial statements, for the review of the financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements and private placements, including but not limited to registration statements on Forms S-3, S-4 and S-8, for the years ended December 31, 2010 and December 31, 2009.

Audit-Related Fees. The fees for assurance and related services by Deloitte that are reasonably related to the performance of the audit or review of our financial statements and are not otherwise reported under "Audit Fees". We engaged Deloitte for the following professional services that would be considered audit-related services for the year ended December 31, 2010: services related to the audits prepared specifically for a subsidiary. We engaged Deloitte for the following professional services that would be considered audit-related services for the year ended December 31, 2009: services relating to the audit of our 401(k) plan for the fiscal year 2008; and services related to the audits prepared specifically for a subsidiary.

Tax Fees. The fees for professional services rendered by Deloitte for tax compliance, tax advice, and tax planning.

All Other Fees. The fees for products and services provided by Deloitte, other than for the services reported under the headings "Audit Fees," "Audit-Related Fees" and "Tax Fees," for the period in question. We did not engage Deloitte for any additional professional services other than as disclosed above for the years ended December 31, 2010 and December 31, 2009.

Audit Committee Pre-Approval Policy

All audit fees, audit-related fees and tax fees as described above for the years ended December 31, 2010 and December 31, 2009, as applicable, were pre-approved by our audit committee, which concluded that the provision of such services by Deloitte was compatible with the maintenance of Deloitte's independence in the conduct of its auditing functions. Our audit committee's pre-approval policy provides that pre-approval of all such services must be approved separately by the audit committee. The audit committee has not delegated any such pre-approval authority to anyone outside the audit committee. Each member of the audit committee has the authority to pre-approve non-audit services up to \$50,000 to be performed by our independent registered public accountants.

PROPOSALS FOR CONSIDERATION AT THE ANNUAL MEETING OF STOCKHOLDERS

PROPOSAL 1—ELECTION OF DIRECTORS

Our bylaws specify that we shall not have less than one nor more than eleven directors, and each director holds office until the annual stockholders' meeting at which such director's class is up for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. As of the date of this proxy statement, our board of directors consists of nine directors, eight of whom have been determined to be independent directors as set forth in the corporate governance rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual. Our certificate of incorporation provides that our board of directors is classified into three classes: Class I, Class II and Class III, each class being elected for a three-year term of office. As discussed more fully under "Our Board of Directors and Its Committees" in this proxy statement above, three of our current directors—Messrs. Wilson, Merriman and Stone—have been nominated for reelection at the 2011 annual meeting of our stockholders.

If any nominee should for any reason become unable to serve prior to the date of the annual meeting, the shares represented by all valid proxies will be voted for the election of such other person as the board may designate as a replacement following recommendation by the nominating and corporate governance committee, or the board may reduce the number of directors to eliminate the vacancy.

Additional information regarding Messrs. Wilson, Merriman and Stone and all of our other directors can be found under the "Our Board of Directors and Its Committees" section, the "Security Ownership of Directors and Executive Officers" section, and the "Director Compensation" section of this proxy statement.

Votes Required

Directors are elected by a plurality vote of the shares present in person or represented by proxy at the annual meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected for that slot. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes. If you sign your proxy card but do not give instructions with respect to the voting of directors, your shares will be voted for Messrs. Wilson, Merriman and Stone. However, if you hold your shares in street name and do not instruct your broker how to vote in the election of directors, your shares will constitute a broker non-vote and will not be voted for any of the nominees. See the section of this proxy statement entitled "General Information—Voting and Revocation of Proxies."

The board of directors unanimously proposes and recommends that you vote "FOR" each of the nominees for the board of directors.

PROPOSAL 2—ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's compensation disclosure rules.

As described in detail under the heading "Compensation Discussion and Analysis," we operate in a highly competitive environment and must attract, motivate and retain experienced and qualified personnel to be successful. We use a competitive mix of fixed and at-risk compensation directly related to stockholder value and our overall performance to achieve our goals and to align the interests of senior management and key employees to those of our stockholders. While we generally target total compensation for our management at approximately the top quartile of our compensation peer group, we utilize a greater percentage, on average, of "at-risk" compensation than our compensation peer group. At-risk compensation includes annual cash incentives, the payment of which depends upon our compensation committee's annual assessment of management performance, and long-term equity incentives. Generally, long-term equity incentives comprise more than 50% of the value of the total compensation paid to our senior management and, of this, approximately 50% has been in the form of stock options with an exercise price equal to the trading price of our common stock on the date of grant, representing a significantly higher percentage of stock options, on average, than has been utilized by our compensation peer group. Stock options become valuable only if our common stock price increases above the option exercise price. Additionally, each equity award that we issue generally vests over a minimum period of three years. Accordingly, these awards are subject to both the risk of fluctuations in the trading price of our common stock and the risk of forfeiture if vesting requirements are not satisfied. We believe that our compensation program helps us achieve our goals and aligns the interests of senior management with those of our stockholders by combining competitive compensation with the opportunity for greater rewards for exceptional performance.

Our performance relative to specified metrics for 2010, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year, as well as a year over year decrease in lease operating expenses per Mcfe of 40%, were significant factors in annual cash and long-term incentive compensation for 2010 and 2011. Other factors included the effectiveness of our management in expanding our core resource-style acreage position, overseeing a successful drilling program, divesting approximately \$2.1 billion in non-core assets and managing our liquidity position in a challenging environment.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement in accordance with the SEC's compensation disclosure rules. The vote is advisory, which means that the vote is not binding on us, our board of directors or our compensation committee. To the extent there is any significant vote against our named executive officer compensation as disclosed in this proxy statement, our compensation committee will evaluate whether any actions are necessary to address the concerns of stockholders.

This proposal will be approved on an advisory basis if it receives the affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy. As noted earlier in this proxy statement, broker non-votes will not affect the outcome of this proposal, and abstentions will be equivalent to a vote against this proposal. If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote FOR the proposal.

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Accordingly, we ask our stockholders to vote on the following resolution at the 2011 annual meeting of stockholders:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2010 Summary Compensation Table and the other related tables and disclosure."

The board of directors unanimously proposes and recommends that you vote "FOR" the approval of the compensation of our named executive officers, as disclosed in this proxy statement.

PROPOSAL 3—ADVISORY VOTE ON FREQUENCY OF EXECUTIVE COMPENSATION VOTE

The Dodd-Frank Wall Street Reform and Consumer Protection Act also provides that stockholders must be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers as disclosed in accordance with the SEC's compensation disclosure rules, which we refer to as an advisory vote on executive compensation. By voting with respect to this Proposal 3, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may, if they wish, abstain from casting a vote on this proposal.

Our board of directors has determined that an annual advisory vote on executive compensation will establish a routine procedure to allow our stockholders to provide direct input on our executive compensation philosophy, policies and practices. Although we believe our compensation program and philosophy is straightforward and does not materially change from year to year, the board believes that an annual vote is consistent with institutional stockholder and advisory firm recommendations.

This vote is advisory and not binding on us or our board in any way. Our board and our compensation committee will take into account the outcome of the vote, however, when considering the frequency of future advisory votes on executive compensation. The board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our stockholders.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the board of directors.

The advisory vote regarding frequency of a stockholder advisory vote on executive compensation will be determined by whichever of the choices—annually, every other year or every three years—receives the greatest number of votes cast. Shares represented by proxies that are marked to indicate abstentions from this proposal and broker non-votes with respect to this proposal will not affect its outcome. If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote FOR a frequency of every ONE YEAR for future advisory votes regarding executive compensation.

The board of directors unanimously proposes and recommends that you vote for the option of every "ONE YEAR" as the preferred frequency for advisory votes on executive compensation.

**PROPOSAL 4—APPROVAL OF AMENDMENTS TO OUR THIRD AMENDED AND RESTATED
2004 EMPLOYEE INCENTIVE PLAN**

We are requesting that our stockholders vote in favor of approving certain amendments to our Third Amended and Restated 2004 Employee Incentive Plan (the "Plan"), which will be thereafter referred to as our Fourth Amended and Restated 2004 Employee Incentive Plan, or the "amended Plan". The principal amendments to the Plan include:

- an increase in the aggregate number of shares of the Company's common stock available for issuance under the Plan from 17,850,000 to 28,850,000 (an increase of 11,000,000 shares),
- adoption of a flexible share counting ratio that will reduce the shares available under the Plan by one share for each share issued pursuant to a stock option or stock appreciation right and by 1.75 shares for each share issued under a "full value award" granted subsequent to May 18, 2011. Full value awards include all awards, other than stock options and stock appreciation rights, to the extent settled in common stock ("Full Value Awards").
- an increase in the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year from 200,000 shares to 500,000 shares and an increase in the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year from 100,000 shares to 500,000 shares;
- extension of the duration of the Plan from 2014 to 2021;
- expanding the types of awards that may be granted under the Plan by adding "restricted stock units" and "performance awards"; and
- various revisions intended to clarify certain provisions of the Plan, none of which materially impact the functioning of the Plan and all of which are marked in the amended version of the Plan attached below.

The Plan was originally approved by our stockholders in July 2004. Our stockholders subsequently approved a series of amendments to the Plan that increased the aggregate number of shares of common stock that may be issued under the Plan to 17,850,000 shares, with the number of shares of incentive stock and restricted stock issuable thereunder being limited to 8,178,841 shares. Currently, the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year is 200,000 shares and the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year is 100,000 shares. We believe that it is in our company's and our stockholders' best interests to amend the Plan to increase the aggregate number of shares of common stock that may be issued under the Plan by 11,000,000 shares and to eliminate the aggregate limit on the number of such shares that may be issued as restricted stock and in lieu thereof to adopt a flexible share counting ratio that will reduce the shares available for awards under the Plan by 1.75 shares for each share issued in a Full Value Award. Furthermore, we believe that it is in our company's and our stockholders' best interests to increase in the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year to 500,000 shares and an increase in the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year to 500,000 shares.

Currently, the Plan provides only for awards of restricted stock, incentive stock (stock issued without a restriction period), stock options and stock appreciation rights. We believe it is in our company's and our stockholders' best interests to amend the plan so that restricted stock units and performance awards may be made under the amended Plan, although we have no current plans to issue such awards.

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A restricted stock unit represents the right to receive shares of common stock, cash or a combination of both at the end of a specified period. Upon the lapse of restrictions with respect to a restricted stock unit, the participant is entitled to receive a share of common stock or an amount of cash equal to the fair market value of a share of common stock, as provided in the award agreement. Under the amended Plan, the Company may grant a tandem cash dividend right, which would entitle the participant to a cash dividend to be paid directly at the time of payment of dividends on outstanding shares of common stock, be credited to a bookkeeping account subject to the same vesting and payment provisions as the related restricted stock unit (with or without interest, in the discretion of the Company), or be subject to such other provisions or restrictions as determined by the Company. Tandem cash dividend rights are not available for stock options, stock appreciation rights or performance awards under the amended Plan. Restricted stock units would provide us with the flexibility to issue awards functionally similar to awards of restricted stock but without having to issue the shares of common stock until such time as the restrictions lapse.

Performance awards represent the right to cash, shares of common stock or a combination of both, conditioned upon the achievement of one or more stated performance goals over a specified performance period not shorter than one year. Performance awards would provide our compensation committee with the flexibility to issue cash and stock awards that satisfy the requirements for "performance-based compensation" under Section 162(m) of the Internal Revenue Code, although the committee may elect to issue performance awards that do not satisfy such requirements.

The compensation committee will have broad authority to determine the performance criteria for any performance award. Performance criteria may be company-wide or related to a subsidiary, division, region, function or business unit and may include one or more or any combination of the following: earnings or earnings per share (whether on a pre-tax, after-tax, operational or other basis), return on equity, return on assets or net assets, return on capital or invested capital and other related financial measures, cash flow or EBITDA or EBITDAX, revenues, income or operating income, expenses or costs or expense levels or cost levels (absolute or per unit), one or more operating ratios, stock price, total stockholder return, operating profit, profit margin, capital expenditures, net borrowing, debt leverage levels, credit quality or debt ratings, the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions, net asset value per share, economic value added, individual business objectives, growth in production, growth in reserves, reserve replacement ratio, finding and development cost per unit, and/or strategic business objectives. Each performance criteria may be made relative to the performance of other business entities and may be appropriately adjusted for certain events occurring during a performance period. The maximum amount that may be paid in cash pursuant to a performance award to a recipient with respect to a fiscal year will be \$5,000,000 and the maximum number of shares of common stock that may be subject to a performance award granted to a Participant with respect to a fiscal year is 500,000 shares.

The amendments to the Plan are being proposed because our compensation committee and our board believe that these amendments will provide needed flexibility to award incentives to our employees that contribute to our company's continued success, provide our employees with ownership interest in our company, maintain competitive compensation levels, attract and retain talented employees, provide incentives for continued service and, thereby, promote our long-term growth and profitability by aligning the interests of our employees with stockholders.

As of March 31, 2011 and if approved by stockholders, the proposed amendment to the Plan will make available stock options, stock appreciation rights, restricted stock, incentive stock and performance awards to our management and employees representing, in the aggregate, up to approximately 13,142,046 shares, or 4.33%, of our outstanding common stock (subject to reduction by 1.75 shares for shares issued under full value awards). All our employees are eligible to receive awards and grants under the Plan. **A summary of the essential features of the Plan is provided below, but is**

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qualified in its entirety by reference to the full text of the amended Plan, a copy of which is included below and is marked to reflect all changes from the current Plan.

Votes Required

The affirmative vote of the majority of the shares present in person or represented by proxy at the annual meeting and voting on the proposal is required for the ratification and approval of the amendment of the Plan.

The board of directors unanimously proposes and recommends that you vote "FOR" the amendment of the Third Amended and Restated 2004 Employee Incentive Plan.

Material Terms

Maximum Number of Shares Issuable; Adjustment. Upon effectuation of the proposed amendments to the Plan, the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an employee during any calendar year will be limited to 500,000 shares (subject to adjustment in the event of a recapitalization or other corporate action affecting the number of shares outstanding), and the maximum number of shares of incentive stock, restricted stock, restricted stock units and performance awards that may be issued to an employee during any calendar year will also be limited to 500,000 shares (subject to adjustment in the event of a recapitalization or other corporate action affecting the number of shares outstanding). The shares with respect to which stock options, stock appreciation rights, incentive stock, restricted stock, restricted stock units and performance awards may be granted are shares of common stock as presently constituted. Stock options, restricted stock units, stock appreciation rights and performance awards have a maximum term of ten (10) years from the date of grant. Stock options have a per share exercise price, and stock appreciation rights have a grant date value, not less than the fair market value of a share of common stock on the date of grant. The exercise of a stock option or stock appreciation right reduces the number of shares available under the Plan by (i) the number of shares as to which the stock option or stock appreciation right is exercised, (ii) shares that were not issued or delivered as a result of the net settlement of the stock option or stock appreciation right, (iii) shares surrendered to pay the exercise price or withholding taxes related to any outstanding award under the Plan, and (iv) shares repurchased on the open market with proceeds from the exercise of a stock option.

The Plan provides that if we recapitalize, reclassify our capital stock, or otherwise change our capital structure (a "recapitalization"), the number and class of shares of stock covered by a stock option, stock appreciation right or performance award theretofore granted shall be adjusted so that such award shall thereafter cover the number and class of shares of stock and securities to which the grantee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the grantee had been the holder of record of the number of shares of stock then covered by such award. Except in connection with a recapitalization (including, without limitation, a stock dividend, stock split, extraordinary cash dividend, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding stock options or stock appreciation rights or cancel outstanding stock options or stock appreciation rights in exchange for any combination of cash and other awards or stock options or stock appreciation rights with an exercise price that is less than the exercise price of the original stock options or stock appreciation rights without stockholder approval.

Corporate Change. The proposed amendments to the Plan provide that, upon the consummation of a corporate change, our compensation committee may accelerate the vesting of stock options and stock appreciation rights; remove restrictions on restricted stock and restricted stock units; cancel stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards, and make payments in respect thereof in cash; adjust the outstanding options, stock appreciation rights

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restricted stock, restricted stock units and performance awards as appropriate to reflect such corporate change; or provide that each option, stock appreciation right, restricted stock, restricted stock units and performance awards shall thereafter cover the number and class of securities or property to which the grantee would have been entitled pursuant to the terms of the documents governing such corporate change if the grantee had been the holder of record of the number of shares covered by the award immediately prior to such corporate change. The Plan provides that a "corporate change" occurs (a) if Petrohawk is to be dissolved and liquidated, (b) if Petrohawk is not the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of Petrohawk), (c) if Petrohawk sells, leases, or exchanges all or substantially all of its assets, (d) if any person, entity or group acquires or gains ownership or control of more than 50% of Petrohawk's outstanding shares of voting stock, or (e) if after a contested election of directors, the persons who were directors before such election cease to constitute a majority of the board.

Amendment or Termination of the Plan. Our board of directors may terminate the Plan with respect to any shares for which awards have not theretofore been granted. The board may amend the Plan; however, it may not amend the Plan without stockholder approval if the amendment: (i) would materially increase the benefits accruing to participants under the Plan, (ii) increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan, (iii) change the class of individuals eligible to receive awards under the Plan, or (iv) extend the term of the Plan.

Administration of the Plan. Pursuant to the provisions of the Plan, our board of directors has appointed the compensation committee to administer the Plan. Our compensation committee currently consists of Messrs. Merriman, Stone and Viggiano. The compensation committee has the sole authority to select the participants from among those individuals eligible under the Plan and to establish the number of shares of restricted stock and/or incentive stock which may be granted and shares which may be subject to each stock option, stock appreciation right, restricted stock unit, and performance award, subject to the limitations set forth in the Plan.

Type of Grants Under the Plan. Our compensation committee may grant to our employees incentive stock, restricted stock, restricted stock units, stock appreciation rights, performance awards and options to purchase shares of our common stock. The compensation committee has the power to determine the terms upon which awards will be granted, including the number of shares of restricted stock and incentive stock to issue, the restrictions applicable to such shares, if any, including vesting requirements, the number of shares of common stock or the amount of cash subject to restricted stock units and performance awards and the performance criteria to be satisfied, and, with respect to stock options and stock appreciation rights, the number of shares of common stock subject to each option or stock appreciation right, the exercisability and vesting requirements of each stock option or stock appreciation right, and the form of consideration payable upon the exercise of such stock option (i.e., whether cash or exchange of existing shares of our common stock in a cashless transaction or a combination thereof). The form of consideration payable upon the exercise of a stock appreciation right is shares of our common stock. The option price of shares of common stock issued under each stock option or stock appreciation right is equal to the fair market value of shares subject to the stock option or stock appreciation right on the date the stock option and each stock appreciation right is granted. Stock options granted under the Plan may be incentive stock options or non-statutory stock options.

Eligibility of Participants, Term and Transferability. Awards may be granted under the Plan only to individuals who are employees of Petrohawk or its parent or subsidiary corporation at the time of grant. No incentive stock option is granted to an employee who owns or who would own immediately before the grant of such incentive stock option more than 10% of the total combined voting power of all classes of our stock or our parent or subsidiary corporation, unless (i) at the time such stock option

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is granted the option price is 110% of the fair market value of the shares granted on the date of the grant and (ii) such stock option by its terms is not exercisable after the expiration of five years from the date of grant. The term of each stock option granted to other employees may not be more than ten years from the date of the grant. To the extent that the aggregate fair market value (determined at the time the respective incentive stock option is granted) of shares with respect to which incentive stock options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of Petrohawk and its parent and subsidiary corporations exceeds \$100,000, such excess incentive stock options are to be treated as non-statutory stock options. Awards granted under the Plan are not to be transferable other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order; provided, however, only with respect to non-statutory stock options and stock appreciation rights, the compensation committee may, in its discretion, authorize all or a portion of the options or stock appreciation rights to be granted on terms which permit transfer by the optionee to (i) the members of the optionee's immediate family, (ii) a trust or trusts for the exclusive benefit of such immediate family, or (iii) a partnership in which such members of such immediate family are the only partners, provided that there may be no consideration for any such transfer. The Plan further provides that following any permitted transfer, the option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Restricted stock, incentive stock and the shares of common stock transferred to an optionee as a result of the exercise of an option or the vesting of a restricted stock unit or the satisfaction of performance criteria under a performance award are considered "restricted securities" under Rule 144 as promulgated under the Securities Act of 1933, as amended (the "1933 Act"), and may only be resold or transferred in compliance with such rule and the registration requirements or an exemption from such requirements under the 1933 Act. Pursuant to the proposed amendments, the Plan shall terminate and no further restricted stock, incentive stock, stock appreciation rights or stock options shall be issued under the Plan after May 18, 2021.

Awards Outstanding. As of March 31, 2011, options representing approximately 8,335,218 shares of common stock, stock appreciation rights representing approximately 569,171 shares of common stock, and 2,204,943 shares of restricted stock are outstanding under the Plan.

Outstanding Equity Awards Under All Stock Plans:

The following tables represent outstanding equity awards under all equity plans as of March 31, 2011, including the KCS Plans and the Mission Plans. We do not issue new awards under the KCS Plans or the Mission Plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted- Average Exercise Price of Outstanding Options and Rights	Average Remaining Contractual Life (Years)
Stock Options	9,202,456	\$ 16.33	7.43
Stock Appreciation Rights	793,105	\$ 11.64	5.93
Total:	9,995,561	\$ 15.95	7.31

	Number of Securities to be Issued Upon Vesting (#)
Restricted Stock	2,204,943

As of March 31, 2011 a total of 2,142,046 shares were available for future issuance under the Plan and 593,200 shares were available for future issuance under our 2004 Non-Employee Director Incentive Plan.

U.S. Federal Income Tax Consequences

The following is a brief summary of certain of the U.S. federal income tax consequences of certain awards under the Plan as normally operated and is not intended to provide or supplement tax advice to eligible employees. The summary contains general statements based on current U.S. federal income tax statutes, regulations and currently available interpretations thereof. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences or the effect, if any, of gift, estate and inheritance taxes.

Incentive Stock Options. Incentive stock options are subject to special federal income tax treatment. No federal income tax is imposed on the optionee upon the grant or the exercise of an incentive stock option. However, the excess of the fair market value of the shares on the date of exercise over the exercise price generally must be included in the optionee's alternative minimum taxable income for the year in which the exercise occurs.

The federal income tax consequences to the optionee from the sale of shares acquired from the exercise of an incentive stock option are complex. If the optionee realizes a gain on the sale, the character of the gain depends on both the length of time from the date of grant of the incentive stock option to the date of sale and the length of time from the date of exercise of the incentive stock option to the date of sale. If the optionee holds the shares acquired pursuant to the exercise of an incentive stock option for the two-year period beginning on the date that the option was granted and the one-year period beginning on the date that the option was exercised (collectively, the "holding period"), any appreciation of the shares above the exercise price should constitute capital gain and the employer would not be entitled to any deduction for federal income tax purposes in connection with the exercise of the option or the disposition of the option shares. On the other hand, if an optionee disposes of shares acquired pursuant to the exercise of an incentive stock option before the end of the holding period (a "disqualifying disposition"), the optionee will be treated as having received, at the time of disposition, compensation taxable as ordinary income. In that event, and subject to the application of Section 162(m) of the Code as discussed below, the employer may claim a deduction for compensation paid at the same time and in the same amount as compensation is treated as received by the optionee. The amount treated as compensation is the excess of the fair market value of the shares at the time of exercise over the exercise price; any amount realized in excess of the fair market value of the shares at the time of exercise would be treated as short-term or long-term capital gain, depending on the holding period of the shares. Finally, if the price received by the optionee in a disqualifying disposition is less than the fair market value of the stock on the exercise date and the disposition is a transaction in which a loss, if sustained, would otherwise be recognized, then the amount of ordinary income the optionee would recognize is the excess, if any, of the amount realized on the sale over the adjusted basis of the shares.

Non-Statutory Stock Options and Stock Appreciation Rights. As a general rule, no federal income tax is imposed on the holder upon the grant of a non-statutory stock option or stock appreciation right, and the employer is not entitled to a tax deduction by reason of the grant. Generally, upon the exercise of a non-statutory stock option, the holder will be treated as receiving compensation taxable as ordinary income in the year of exercise in an amount equal to the excess of the fair market value of the shares at the time of exercise over the exercise price paid for the shares. In the case of the exercise of a stock appreciation right, the holder will be treated as receiving compensation taxable as ordinary income in the year of exercise in an amount equal to the cash received and the fair market value of any shares distributed to the holder. Upon the exercise of a non-statutory stock option or a stock appreciation right, and subject to the application of Section 162(m) of the Code as discussed below, the employer may claim a deduction for compensation paid at the same time and in the same amount as compensation income is recognized by the holder assuming any federal income tax reporting requirements are satisfied. Upon a subsequent disposition of the shares received upon exercise of a non-statutory stock option or a stock appreciation right, any

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difference between the fair market value of the shares at the time of exercise and the amount realized on the disposition would be treated as capital gain or loss. If the shares received upon the exercise of a non-statutory stock option or a stock appreciation right are transferred to the holder subject to restrictions, then the taxable income realized by the holder, unless the holder elects otherwise, and the employer's tax deduction (assuming any federal income tax reporting requirements are satisfied) would be deferred and measured with reference to the fair market value of the shares at the time the restrictions lapse. The restrictions imposed on officers, directors and 10% stockholders by Section 16(b) of the 1934 Act is such a restriction during the period prescribed thereby if the exercise and any subsequent disposition could result in liability under Section 16(b).

Restricted Stock Awards. The holder of a restricted stock award will not realize taxable income at the time of grant, and the employer will not be entitled to a deduction at that time, assuming that the restrictions applicable to the shares constitute a substantial risk of forfeiture for federal income tax purposes. When the risk of forfeiture related to the shares lapses, the holder will realize ordinary income in an amount equal to the fair market value of the shares at such time, and, subject to Section 162(m) of the Code, the employer will be entitled to a corresponding deduction. All dividends and distributions (or the cash equivalent thereof) with respect to restricted stock paid to the holder before the risk of forfeiture lapses will also be compensation income to the holder when paid and, subject to Section 162(m) of the Code, be deductible as such by the employer. Notwithstanding the foregoing, the holder of restricted stock may elect under Section 83(b) of the Code to be taxed at the time of grant of the restricted stock based on the fair market value of the shares on the date of the grant, in which case (i) subject to Section 162(m) of the Code, the employer will be entitled to a deduction at the same time and in the same amount, (ii) dividends paid to the holder during the period the forfeiture restrictions apply will be taxable as dividends and will not be deductible by the employer as compensation, and (iii) there will be no further federal income tax consequences when the risk of forfeiture lapses. An 83(b) election must be made not later than 30 days after the grant of the restricted stock and is generally irrevocable.

Restricted Stock Unit Awards. There will be no federal income tax consequences to either the holder or the employer upon the award of restricted stock units. Generally, the holder will recognize ordinary income subject to withholding upon the receipt of cash and/or the transfer of shares in satisfaction of the restricted stock units award in an amount equal to the aggregate of any cash received and the fair market value of any shares so transferred. Subject to Section 162(m) of the Code, the employer generally will be entitled to a corresponding tax deduction equal to the amount includible in the holder's income.

Performance Awards. There will be no federal income tax consequences to either the holder or the employer upon the grant of performance awards. Generally, the holder will recognize ordinary income subject to withholding upon the receipt of cash and/or the transfer of shares in satisfaction of the performance award in an amount equal to the aggregate of any cash received and the fair market value of any shares so transferred. If a performance award is "performance-based" compensation under Code Section 162(m), the employer will be entitled to a corresponding tax deduction equal to the amount includible in the holder's income. Otherwise, the employer's deduction may be limited by Code Section 162(m) as described below.

Additional Tax Consequences. Section 162(m) of the Code places a \$1 million cap on the deductible compensation that may be paid to certain executives of publicly-traded corporations. Amounts that qualify as "performance-based" compensation under Section 162(m) of the Code are exempt from the cap and do not count toward the \$1 million limit. Generally, options and stock appreciation rights granted with an exercise price at least equal to the fair market value of the shares on the date of grant will qualify as performance-based compensation. Other awards may or may not so qualify, depending on their terms. Also, Section 409A of the Code provides that deferrals of

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compensation under a nonqualified deferred compensation plan are currently includible in gross income to the extent not subject to a substantial risk of forfeiture and not previously included in gross income, unless certain requirements are met. It is intended that awards made under the Plan be structured to be exempt from or compliant with Section 409A of the Code.

To ensure compliance with Treasury Department Circular 230, participants are hereby notified that (i) any discussion of U.S. federal tax issues in this proxy statement is not intended to be written or used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code, and (ii) participants should seek advice based on their particular circumstances from an independent tax advisor.

Text of the Amended Plan

To effect the amendments to the Plan discussed above, it is proposed that the text of the Plan is amended as marked below:

PETROHAWK ENERGY CORPORATION **~~THIRD~~FOURTH AMENDED AND RESTATED** **2004 EMPLOYEE INCENTIVE PLAN**

This Petrohawk Energy Corporation ~~Third~~**Fourth** Amended and Restated 2004 Employee Incentive Plan (the "Plan") amends and restates the Petrohawk Energy Corporation ~~Second~~**Third** Amended and Restated 2004 Employee Incentive Plan, and gives effect to (i) ~~amendments effective May 2008 that provided for (a) a minimum of three year vesting for restricted stock awards; and (b) lapses, acceleration or waivers of the Restriction Period applicable to Restricted Stock Awards and Stock Appreciation Rights to be permitted only in the event of death, disability, retirement or Corporate Change; and~~ (ii) ~~amendments effective June 18, 2009 that (a) eliminated provisions relating to incentive stock (i.e., shares of common stock awarded without restrictions) that were contradictory in light of the amendment set forth in (i)(a) above; and (b) increased the number of shares of common stock subject to the Plan as approved by stockholders on June 18, 2009~~amendments effective through the effective date of this amended and restated Plan as described in Section VII.

I. Definitions and Purposes

(a) Definitions.

Whenever capitalized in this document, the following terms shall be defined as set forth below:

"Award" means an award in the form of Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Stock Options, or Performance Awards, whether granted singly or in combination.

"Award Agreement" means a written agreement between the Company and a Participant that sets forth the terms, conditions, restrictions and limitations applicable to an Award.

"Board" means the board of directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the committee of the Board which may be the Compensation Committee of the Board or such other committee as the Board shall appoint to administer the Plan, provided it shall be (a) comprised solely of two or more outside directors (within the meaning of Section 162(m) of the Code and the Treasury Regulations promulgated thereunder), and (b) constituted so as to permit the Plan to comply with Rule 16b-3.

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"**Common Stock**" means the common stock of the Company, \$.001 par value per share, and any class of common stock into which such common stock may hereafter be converted, reclassified or recapitalized.

"**Company**" means Petrohawk Energy Corporation or any successor thereto.

"**Corporate Change**" shall have the meaning set forth in Section VIII(c) below.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means for one Share on the date in question (i) the closing sale price for such Share as quoted on the New York Stock Exchange, Nasdaq National Market or Nasdaq Small Cap Market, as applicable ("NASDAQ"), or (ii) if not so quoted, the closing sales price as reported on the consolidated reporting system for the securities exchange(s) on which Shares are then listed or admitted to trading (as reported in the Wall Street Journal or other reputable source), or (iii) if not so reported, the average of the closing bid and asked prices for a Share on the date of grant as quoted by the National Quotation Bureau's "Pink Sheets" or the National Association of Securities Dealers' OTC Bulletin Board System. If there was no public trade of Common Stock on the date in question, Fair Market Value shall be determined by reference to the last preceding date on which such a trade was so reported. If the Company is not a Publicly Held Corporation at the time a determination of the Fair Market Value of the Common Stock is required to be made hereunder, the determination of Fair Market Value for purposes of the Plan shall be made by the Committee in its discretion exercised in good faith. In this respect, the Committee may rely on such financial data, valuations, experts, and other sources, in its discretion, as it deems advisable under the circumstances.

"**Grantee(s)**" means those certain employee or employees of the Company or its subsidiaries to whom the Company shall grant Restricted Stock ~~or, Restricted Stock Units, Stock Options, Stock Appreciation Right~~ Rights or Performance Awards.

"**Immediate Family**" means with respect to an Optionee, the Optionee's spouse, children or grandchildren (including legally adopted, step children and step grandchildren).

"**Incentive Stock Option**" means a Stock Option which is intended to qualify as an incentive stock option under Section 422 of the Code.

"**Non-Statutory Stock Option**" means a Stock Option that is not an Incentive Stock Option.

~~"**Option Agreement**" means an agreement between the Company and an Optionee whereby the Optionee receives Stock Options:~~ "**Optionee(s)**" means those certain employees of the Company or its subsidiaries to whom the Company shall grant Stock Options.

"**Option Price**" shall mean the amount an Optionee must pay the Company upon exercise of the Stock Option.

"**Participants**" shall mean Grantees and Optionees.

"**Performance Award**" means an award granted to a Grantee pursuant to Section III(f) to receive cash or Shares conditioned in whole or in part upon the satisfaction of specified performance criteria.

"**Publicly Held Corporation**" means an entity issuing any class of equity securities required to be registered under Section 12 of the Exchange Act.

"**Restricted Stock**" means Shares subject to specified restrictions that may be granted to eligible persons under Section III (b) below.

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"Restricted Stock Agreement" means an agreement between the Company and a Grantee whereby the Grantee receives shares of Restricted Stock. **Unit** means a right to receive Shares, cash or a combination of both at the end of a specified period granted to an eligible person under Section III(b) below.

"Restricted Stock Award" means an award of Restricted Stock granted to a Grantee.

"Restriction Period" means the period of time during which the Shares granted pursuant to ~~an Award of~~ Restricted Stock ~~Award or Restricted Stock Units~~ remain subject to the restrictions or vesting set forth in the applicable ~~Restricted Stock Award~~ Agreement; the Restriction Period shall not provide for vesting of greater than one-third ($\frac{1}{3}$) of the total grant upon each of the first three (3) anniversaries from the date of such grant; provided, however, that the foregoing shall not apply (i) to up to five percent (5%) of the number of shares available under the Plan, or (ii) accelerated vesting on account of the death or disability of a Participant, or (ii) to the acceleration of vesting upon a Corporate Change.

"Rule 16b-3" means Rule 16b-3, as currently in effect or as hereinafter modified or amended, promulgated under the Exchange Act.

"Share" or "Shares" means a share or shares of Common Stock.

"Stock Appreciation Right" means a contractual right granted to an eligible person under Section III(ed) below.

"SAR Agreement" means an agreement between the Company and a Grantee whereby the Grantee receives a Stock Appreciation Right.

"SAR Grant Value" shall have the meaning set forth in Article VI.

"Stock Option" means an Incentive Stock Option or a Non-Statutory Stock Option.

(b) Purposes.

This Plan is intended to foster and promote the long-term financial success of the Company and its subsidiaries and to increase stockholder value by: (a) encouraging the commitment of selected employees, (b) motivating superior performance of certain employees by means of long-term performance related incentives, (c) encouraging and providing certain employees with a program for obtaining ownership interests in the Company which link and align their personal interests to those of the Company's stockholders, (d) attracting and retaining certain employees by providing competitive incentive compensation opportunities, and (e) enabling certain employees to share in the long-term growth and success of the Company.

This Plan provides for payment of various forms of incentive compensation and it is not intended to be a plan that is subject to ERISA. The Plan shall be interpreted, construed and administered consistent with its status as a plan that is not subject to ERISA.

II. Administration

The Plan shall be administered by the Committee. The Committee shall have sole authority to select the Participants from among those individuals eligible hereunder and to establish the number of shares of Restricted Stock which may be granted and ~~s~~Shares which may be subject to each Stock Option and Stock Appreciation Right; provided, however, that, notwithstanding any provision in the Plan to the contrary, the maximum number of shares that may be subject to Stock Options and Stock Appreciation Rights granted under the Plan to an individual during any calendar year may not exceed 200,000 Shares (subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options and Stock Appreciation Rights then outstanding) and the maximum number of shares of Restricted Stock that may be granted to an individual under the Plan during any calendar year may not exceed 100,000 shares (subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options then outstanding). The limitation set forth in the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, without limitation, counting against such maximum number of shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any shares subject to Stock Options and Award of Restricted Stock Units, Stock Options, Stock Appreciation Rights that are canceled or repriced, and Performance Award. In selecting Participants from among individuals eligible hereunder and in establishing the number of shares of Restricted Stock that may be issued to each Grantee and the number of ~~s~~Shares that may be subject to each Award of Restricted Stock Option and Units, Stock Options, Stock Appreciation Rights, and Performance Award, the Committee may take into account the nature of the services rendered by such individuals, their present and potential contributions to the Company's success and such other factors as the Committee in its discretion shall deem relevant. The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations, consistent with the provisions of the Plan, as it may deem advisable to carry out the Plan. All decisions made by the Committee in selecting the Participants, in establishing the number of shares of Restricted Stock which may be issued to each Grantee ~~and~~, the number of ~~s~~Shares which may be subject to each Award of Restricted Stock Option Units, Stock Options and Stock Appreciation Right Rights, and the amount payable or the number of Shares subject to a Performance Award and in construing the provisions of the Plan shall be final.

III. Types of Grants Under the Plan

(a) *Types of Grants.*

Pursuant to this Plan, the Company may grant ~~shares of~~ Restricted Stock, Restricted Stock Units, Stock Appreciation Rights ~~and~~, Stock Options, and Performance Awards. Stock Options granted under the Plan may be either Incentive Stock Options or Non-Statutory Stock Options.

(b) *Grants of Restricted Stock and Restricted Stock Units.*

Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock or Restricted Stock Units to any eligible person in such amounts and with such restrictions as the Committee shall determine, any of which restrictions may differ with respect to any Grantee. ~~Restricted Stock Awards of Restricted Stock or Restricted Stock Units~~ shall include a Restriction Period as determined by the Committee in accordance with the provisions of the Plan and subject to the limitations set forth in the definition of Restriction Period above. **A**

With respect to Awards of Restricted Stock, a certificate or certificates representing the number of shares of Restricted Stock granted shall be registered in the name of the Grantee. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in the Grantee's Restricted

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Stock Award Agreement, the certificate or certificates shall be held in escrow by the Company for the account of the Grantee. The Grantee shall have beneficial ownership of the shares of Restricted Stock, including the right to receive dividends and the right to vote the shares of Restricted Stock. Upon the lapse of all restrictions (as set forth in the Grantee's Restricted Stock Award Agreement) on any or all of the Restricted Stock granted to the Grantee, the certificate or certificates representing the shares of Restricted Stock for which the restrictions have lapsed shall be delivered to the Grantee.

With respect to Awards of Restricted Stock Units, upon the lapse of restrictions with respect to each Restricted Stock Unit, the Participant shall be entitled to receive one Share or an amount of cash equal to the Fair Market Value of one Share, as provided in the Award Agreement. The Committee may, in its sole discretion, grant a tandem cash dividend right with respect to Restricted Stock Units. A grant of cash dividend rights may provide that such cash dividend rights will be paid directly to the Participant at the time of payment of related dividends, be credited to a bookkeeping account subject to the same vesting and payment provisions as the tandem Award (with or without interest in the sole discretion of the Committee), or be subject to such other provisions or restrictions as determined by the Committee in its sole discretion.

Each Award of Restricted Stock or Restricted Stock Award Units shall be evidenced by a Restricted Stock Award Agreement which shall contain the Restriction Period, the number of ~~shares of Restricted Stock~~ Shares covered by the Award and such other terms and conditions as may be approved by the Committee, including other restrictions as the Committee may determine. The Committee may impose such conditions or restrictions on any Award of Restricted Stock or Restricted Stock Units as it may deem advisable, in its sole discretion.

(c) Grant of Stock Options.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Stock Options to any eligible person.

Each Stock Option shall be evidenced by an Option Award Agreement, which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Option Award Agreements need not be identical for each Optionee. The Option Price upon exercise of any Stock Option shall be payable to the Company in full either: (i) in cash or its equivalent, or (ii) subject to prior approval by the Committee in its discretion, by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price ~~(provided that the Shares which are tendered must have been held by the Optionee for at least six (6) months prior to their tender to satisfy the option price)~~, or (iii) subject to prior approval by the Committee, in its discretion, by withholding Shares which otherwise would be acquired on exercise having an aggregate Fair Market Value at the time of exercise equal to the total Option Price, or (iv) subject to prior approval by the Committee in its discretion, by a combination of (i), (ii), and (iii) above. Any payment in Shares shall be effected by the surrender of such Shares to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Stock Option is exercised. Unless otherwise permitted by the Committee, in its discretion, the Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Option Price if such action would cause the Company to recognize compensation (or additional compensation expense) with respect to the Stock Option for financial reporting purposes ~~expense~~.

The Committee, in its discretion, also may allow the Option Price to be paid with such other consideration as shall constitute lawful consideration for the issuance of Shares (including, without limitation, effecting a "cashless exercise" with a broker of the Stock Option), subject to applicable securities law restrictions and tax withholdings, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law. A "cashless exercise" of a Stock Option is a procedure by which a broker provides the funds to the Optionee to effect a Stock Option exercise, to

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the extent consented to by the Committee, in its discretion. At the direction of the Optionee, the broker will either (i) sell all of the Shares received when the Stock Option is exercised and pay the Optionee the proceeds of the sale (minus the Option Price, withholding taxes and any fees due to the broker) or (ii) sell enough of the Shares received upon exercise of the Stock Option to cover the Option Price, withholding taxes and any fees due the broker and deliver to the Optionee (either directly or through the Company) a stock certificate for the remaining Shares.

In no event will the Committee allow the Option Price to be paid with a form of consideration, including a loan or a "cashless exercise," if such form of consideration would violate the Sarbanes-Oxley Act of 2002 as determined by the Committee, in its discretion.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall (i) deliver, or cause to be delivered, to or on behalf of the Optionee, in the name of the Optionee or other appropriate recipient, Share certificates for the number of Shares purchased under the Stock Option or (ii) electronically credit to a brokerage account in the name of the Optionee or other appropriate recipient the number of Shares purchased under the Stock Option. Such delivery shall be effected for all purposes when the Company or a stock transfer agent of the Company shall have (i) deposited such certificates in the United States mail, addressed to Optionee or other appropriate recipient or (ii) electronically credited the Shares to a brokerage account in the name of the Optionee or other appropriate recipient.

(d) Grant of Stock Appreciation Rights.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Stock Appreciation Rights to any eligible person.

Each grant of Stock Appreciation Rights shall be evidenced by an **SAR Award** Agreement, which shall contain such terms and conditions as may be approved by the Committee. Stock Appreciation Rights shall include a Restriction Period as determined by the Committee in accordance with the provisions of the Plan. The terms and conditions of the respective **SAR Award** Agreements need not be identical for each Grantee; provided that the maximum term of a Stock Appreciation Right shall be ten (10) years from the date of grant and the per share SAR Grant Value shall not, under any circumstances, be less than the Fair Market Value of a Share of Common Stock on the date the Stock Appreciation Right is granted. A Stock Appreciation Right entitles the Grantee, upon exercise, to receive an amount equal to the product of (x) the excess of the Fair Market Value of one Share of Company Common Stock on the date of exercise over the SAR Grant Value and (y) the number of ~~s~~Shares as to which such Stock Appreciation Right is exercised. Payment of the amount determined under the foregoing shall be made in Shares of Common Stock valued at their Fair Market Value on the date of exercise; provided, however, that no fractional ~~shares of Company Common Stock~~Shares shall be issued upon exercise of a Stock Appreciation Right and any fractional ~~s~~Share interest shall be settled in cash. As soon as practicable after receipt of a written or electronic notification of exercise of a Stock Appreciation Right, the Company shall (i) deliver, or cause to be delivered, to or on behalf of the Grantee, in the name of the Grantee or other appropriate recipient, Share certificates for the number of Shares issued as a result of such exercise or (ii) electronically credit to a brokerage account in the name of the Grantee or other appropriate recipient the number of Shares issued as a result of such exercise. Such delivery shall be effected for all purposes when the Company or a stock transfer agent of the Company shall have (i) deposited such certificates in the United States mail, addressed to Grantee or other appropriate recipient or (ii) electronically credited the Shares to a brokerage account in the name of the Grantee or other appropriate recipient.

(e) Grant of Performance Awards.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Performance Awards to any eligible person. Performance Awards may be granted in the form of cash, Shares or a combination of both, in such amounts and at such times as the Committee shall determine. Performance Awards shall be conditioned upon the level of achievement of one or more stated performance goals over a specified performance period that shall not be shorter than one year. Performance Awards may be combined with other Awards to impose performance criteria as part of the terms of such other Awards.

Each Award Agreement with respect to a Performance Award shall set forth (a) the amount, including a target and maximum amount, if applicable, a Grantee may earn in the form of cash or Shares or a formula for determining such amount, (b) the performance criteria and level of achievement versus such criteria that shall determine the amount payable or number of Shares to be granted, issued, retained and/or vested, (c) the performance period over which performance is to be measured, (d) the timing of any payments to be made, (e) restrictions on the transferability of the Performance Award and (f) such other terms and conditions as the Committee may determine that are not inconsistent with the Plan.

The Committee shall determine in its sole discretion whether all or any portion of a Performance Award shall be intended to satisfy the requirements for "performance-based" compensation under Section 162(m) of the Code (the "162(m) Requirements"). The performance criteria for any Performance Award that is intended to satisfy the 162(m) Requirements shall be established in writing by the Committee based on one or more performance goals as set forth in this Section III(e) not later than 90 days after the commencement of the performance period with respect to such Performance Award, provided that the outcome of the performance in respect of the goals remains substantially uncertain as of such time. With respect to Performance Awards that are intended to satisfy the 162(m) Requirements, the maximum amount that may be paid in cash pursuant to a Performance Award granted to a Grantee with respect to a fiscal year is \$5,000,000 and the maximum number of Shares that may be subject to a Performance Award granted to a Grantee with respect to a fiscal year is 500,000 Shares; provided, however, that such maximum amount and number of Shares with respect to a Performance Award that provides for a performance period longer than one fiscal year shall be the foregoing limit multiplied by the number of full fiscal years in the performance period. At the time of the grant of a Performance Award and to the extent permitted under Section 162(m) of the Code and Treasury Regulations thereunder for a Performance Award intended to satisfy the 162(m) Requirements, the Committee may provide for the manner in which the performance goals will be measured in light of specified corporate transactions, extraordinary events, accounting changes and other similar occurrences. With respect to Performance Awards that are intended to satisfy the 162(m) Requirements, the terms of this Section III(e) shall be interpreted in a manner consistent with Section 162(m) of the Code and the Treasury Regulations and other guidance thereunder.

The performance measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Grantee or objectives that are company-wide or related to a subsidiary, division, department, region, function or business unit of the Company in which the Grantee is employed or with respect to which the Grantee performs services, and may consist of one or more or any combination of the following criteria: (a) earnings or earnings per Share (whether on a pre-tax, after-tax, operational or other basis), (b) return on equity, (c) return on assets or net assets, (d) return on capital or invested capital and other related financial measures, (e) cash flow or EBITDA or EBITDAX, (f) revenues, (g) income or operating income, (h) expenses or costs or expense levels or cost levels (absolute or per unit), (i) one or more operating ratios, (j) stock price, (k) total stockholder return, (l) operating profit, (m) profit margin, (n) capital expenditures, (o) net borrowing, debt leverage levels, credit quality or debt ratings, (p) the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions, (q) net asset

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value per Share, (r) economic value added, (s) individual business objectives, (t) growth in production, (u) growth in reserves, (v) reserve replacement ratio, (w) finding and development cost per unit, and/or (x) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures, or any combination thereof. The performance goals based on these performance measures may be made relative to the performance of other business entities. The Committee may appropriately adjust any evaluation of performance criteria to exclude any of the following events that occurs during a performance period: (1) gains or losses on sales of assets, (2) asset impairments or write-downs, (3) litigation or claim judgments or settlements, (4) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (5) accruals for reorganization and restructuring programs, (6) any extraordinary non-recurring items as described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (7) acquisitions or divestitures, (8) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, (9) foreign exchange gains and losses, (10) a change in the Company's fiscal year, and (10) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code).

Prior to the payment of any compensation pursuant to a Performance Award that is intended to satisfy the 162 (m) Requirements, the Committee shall certify the extent to which the performance goals and other material terms of the Performance Award have been achieved or satisfied. The Committee in its sole discretion shall have the authority to reduce, but not to increase, the amount payable and the number of Shares to be granted, issued, retained or vested pursuant to a Performance Award.

IV. Eligibility of Participants, Term and Transferability

Restricted Stock, **Restricted Stock Units**, Stock Appreciation Rights ~~and~~, Stock Options **and Performance Awards** may be granted only to individuals who are employees (including officers and directors who are also employees) of the Company or any parent or subsidiary corporation (as defined in Section 424 (e) and (f) of the Code) of the Company at the time the ~~Restricted Stock, Stock Appreciation Rights or Stock Options~~ **Award** is granted. Restricted Stock, **Restricted Stock Units**, Stock Appreciation Rights ~~and~~, Stock Options **and Performance Awards** may be granted to the same individual on more than one occasion. No Incentive Stock Option shall be granted to an eligible person who owns or who would own immediately before the grant of such Incentive Stock Option more than 10% of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporation, unless (i) at the time such Stock Option is granted the option price is 110% of the Fair Market Value of the Shares granted on the date of the grant and (ii) such Stock Option by its terms is not exercisable after the expiration of five (5) years from the date of grant. The term of each Stock Option granted to other eligible persons shall be not more than ten (10) years from the date of the grant. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Shares with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such excess Incentive Stock Options shall be treated as Non-Statutory Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, ~~the~~ **Treasury Regulations** and other administrative pronouncements, which of an Optionee's Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Optionee of such determination as soon as practicable after such determination.

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~~Restricted Stock, Stock Appreciation Rights and Stock Options~~Awards granted under the Plan shall not be transferable or assignable other than: (a) by will or the laws of descent and distribution or (b) pursuant to a qualified domestic relations order (as defined by Section 414(p) of the Code); provided, however, if an Incentive Stock Option is transferred pursuant to a qualified domestic relations order (as defined by Section 414(p) of the Code), the Option shall cease to qualify as an Incentive Stock Option as of the date of such transfer; provided, further, however, only with respect to Non-Statutory Stock Options and Stock Appreciation Rights the Committee may, in its discretion, authorize all or a portion of the Non-Statutory Stock Options and/or Stock Appreciation Rights to be granted on terms which permit transfer by the Optionee / Grantee to (i) the members of the Optionee's / Grantee's Immediate Family, (ii) a trust or trusts for the exclusive benefit of such Immediate Family, or (iii) a partnership in which such members of such Immediate Family are the only partners, provided that (A) there may be no consideration for any such transfer, (B) the SAR Award Agreement pursuant to which such Non-Statutory Stock Options and/or Stock Appreciation Rights are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section and (C) subsequent transfers of transferred Stock Options and/or Stock Appreciation Rights shall be prohibited except in accordance with clauses (A) and (B) above of this sentence. Following any permitted transfer, any Non-Statutory Stock Option and/or Stock Appreciation Right shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the term "Optionee" and "Grantee" shall be deemed to refer to the transferee. The Non-Statutory Stock Option and/or Stock Appreciation Right shall be exercisable by the transferee only to the extent, and for the periods, specified in the ~~Option Agreement and/or SAR Award~~ Agreement.

Except as may otherwise be permitted under the Code, in the event of a permitted transfer of a Non-Statutory Stock Option or Stock Appreciation Right hereunder, the original Optionee/Grantee shall remain subject to withholding taxes upon exercise. In addition, the Company shall have no obligation to provide any notices to a transferee including, for example, the termination of a Stock Option or Stock Appreciation Right following the original Optionee's termination of employment.

No transfer by will, trust or by the laws of descent and distribution shall be effective to bind the Company unless the Committee has been furnished with a copy of the deceased Grantee's or Optionee's enforceable will, trust or such other evidence as the Committee deems necessary to establish the validity of the transfer. Any attempted transfer in violation of this provision shall be void and ineffective. All determinations under this Section shall be made by the Committee in its discretion.

In the event the employment of a person by the Company (or a subsidiary) shall be terminated at a time when such person holds an Incentive Stock Option, such person (or in the event employment is terminated due to death or disability of such person, his or her personal representative) may exercise his or her Incentive Stock Option (to the extent such person was entitled to exercise such Incentive Stock Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date that is three months following the termination of such person's employment (or such shorter or longer period specified in the Option Award Agreement) or (ii) the expiration of the term of the Incentive Stock Option as set forth in the Option Award Agreement; provided, however, if termination of employment is due to the death or disability (as defined in section 22(e)(3) of the Code) of such person the three month period set forth in (i) above shall be extended to 12 months.

V. Shares Subject to Plan

(a) The aggregate number of shares of Restricted Stock and Shares which may be covered by Stock Options (including Incentive Stock Options), Restricted Stock Units and Performance Awards and issued upon exercise of Stock Appreciation Rights granted under the Plan shall not exceed 17,850,000. In addition, the aggregate number of shares of Restricted Stock which may be issued under the Plan shall not exceed 8,178,841. Such shares 28,850,000. Notwithstanding any provision in the Plan

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to the contrary, the maximum number of Shares that may be granted during any calendar year to an individual under the Plan as Restricted Stock or that may be subject to Restricted Stock Units, Stock Options, Stock Appreciation Rights or Performance Awards may not exceed 500,000 Shares (subject to adjustment in the same manner as provided in Section VIII hereof), and the maximum aggregate number of Shares that may be issued under the Plan through Incentive Stock Options shall be equal to the Plan limit set forth above. The limitation set forth in the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, without limitation, counting against such maximum number of Shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any Shares subject to Stock Options, Stock Appreciation Rights and Performance Awards that are canceled or repriced.

(b) Any provision of this Plan to the contrary notwithstanding, any award of Restricted Stock (including Shares issued without a Restriction Period, pursuant to the exception set forth in the definition of such term), Restricted Stock Units and Performance Awards that may be settled in Shares that, in each case, are granted under this Plan subsequent to May 18, 2011, shall reduce the aggregate limit on Shares set forth above by 1.75 shares for every one share issued in connection with such award. The Shares issued hereunder may consist of authorized but unissued Shares, treasury shares of Common Stock, or previously issued Shares reacquired by the Company. Any of such Shares which remain unissued and which are not subject to outstanding ~~Stock Options or Stock Appreciation Rights Awards~~ at the termination of the Plan shall cease to be subject to the Plan, but, until termination of the Plan, the Company shall at all times make available a sufficient number of Shares to meet the requirements of the Plan. Should any Stock Option or Stock Appreciation Right hereunder expire or terminate prior to its exercise in full, the Shares theretofore subject to such Stock Option or Stock Appreciation Right may again be subject to a Stock Option or Stock Appreciation Right granted under the Plan to the extent permitted under Rule 16b-3; provided, however, that for purposes Article II any such sShares shall be counted in accordance with the requirements of Section 162(m) of the Code . Upon the forfeiture of any Restricted Stock, ~~the forfeited shares of Restricted Stock or Restricted Stock Units or the expiration or termination of Performance Awards that may be settled in Shares, the number of Shares that~~ shall thereafter be available for award under the Plan shall be increased by a number of Shares equal to the amount by which the number of Shares available under the Plan was reduced upon the issuance thereof (for example, each share of Restricted Stock issued prior to May 18, 2011, that is forfeited shall increase the number of Shares available for issuance by one Share, while each share of Restricted Stock issued after May 18, 2011, which reduced the aggregate shares available under the Plan by 1.75 Shares for every one Share issued shall, upon forfeiture, increase the aggregate number of Shares available for issuance by 1.75 Shares). Upon forfeiture of any Awards, Shares theretofore subject to such Awards may again be subject to other Awards granted under the Plan to the extent permitted under Rule 16b-3. The aggregate number of Shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options and Stock Appreciation Rights then outstanding. Exercise of a Stock Option or Stock Appreciation Right in any manner shall result in a decrease in the number of Shares which may thereafter be available, ~~both for purposes of the Plan and for grant to any one individual,~~ by the number of (i) Shares as to which the Stock Option is exercised ~~and the number of,~~ (ii) Shares issued upon exercise of ~~Stock Appreciation Rights~~ Stock Appreciation Right, (iii) ~~Shares that were not issued or delivered as a result of the net settlement of the Stock Option or Stock Appreciation Right,~~ (iv) Shares surrendered to pay the exercise price or withholding taxes related to any outstanding award under the Plan, or (v) Shares repurchased on the open market with proceeds from the exercise of the Stock Option. Separate stock certificates may be issued by the Company for those Shares acquired pursuant to the exercise of any Stock Option which does not constitute an Incentive Stock Option.

VI. Option Price ; SAR Grant Value; Prohibition on Repricing

The Option Price of Shares issued under each Stock Option shall be equal to the Fair Market Value of Shares subject to the Stock Option on the date the Stock Option is granted; provided, however, that this limitation shall not apply to Incentive Stock Options for which a greater Option Price is required pursuant to ~~Paragraph~~**Section IV** hereof.

The SAR Grant Value of a Stock Appreciation Right shall be the Fair Market Value of a Share of Company Common Stock on the date the Stock Appreciation Right is granted.

Other than to effect adjustments in accordance with Article VIII, without the approval of the stockholders of the Company, the terms of a Stock Option or Stock Appreciation Right may not be amended to reduce the exercise price thereof, and the Company shall not be permitted under this Plan to exchange any outstanding Stock Option or Stock Appreciation Right issued under this Plan for (i) a new Stock Option or Stock Appreciation Right having an exercise price that is lower than the exercise price of such outstanding Stock Option or Stock Appreciation Right or (ii) any combination of cash and other Awards.

VII. Term of Plan

This Plan became effective as of June 3, 2004, pursuant to approval by the stockholders of the Company at the 2004 Annual Meeting of Stockholders, **and was subsequently twice amended and restated in its entirety. This amended and restated Plan shall become effective on May 18, 2011, provided it is approved by the stockholders of the Company at the 2011 Annual Meeting of Stockholders.** Except with respect to ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ then outstanding, if not sooner terminated under the provisions of Section IX **or extended upon approval by the stockholders of the Company,** the Plan shall terminate upon and no further ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ shall be granted after ~~June 2~~**May 18, 2014.**

VIII. Recapitalization or Reorganization

(a) The existence of the Plan and the Restricted Stock, ~~Restricted Stock Units, Stock Appreciation Rights and, Stock Options and Performance Awards~~ granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) The ~~s~~Shares with respect to which Stock Options and Stock Appreciation Rights may be granted are shares of **Common** Stock as presently constituted, but if, and whenever, prior to the expiration of a Stock Option ~~or, Stock Appreciation Right, Restricted Stock Unit or Performance Award~~ theretofore granted, the Company shall effect a subdivision or consolidation of shares of **Common** Stock or the payment of a stock dividend on **Common** Stock without receipt of consideration by the Company, the number of Shares with respect to which such ~~Stock Option and Stock Appreciation Rights Award~~ may thereafter be exercised (i) in the event of an increase in the number of outstanding Shares shall be proportionately increased, and, **with respect to Stock Options and Stock Appreciation Rights,** the Option Price per Share and SAR Grant Value per Share, **respectively,** shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding Shares shall be proportionately reduced, and, **with respect to Stock Options and Stock Appreciation Rights,** the Option Price per share and SAR Grant Value per Share, **respectively,** shall be proportionately increased.

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(c) If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization"), the number and class of shares of Common Stock covered by ~~a~~ Awards of Restricted Stock Option or Units, Stock Options, Stock Appreciation Right ~~Rights or Performance Awards~~ theretofore granted shall be adjusted so that such ~~Stock Option or Stock Appreciation Right~~ Awards shall thereafter cover the number and class of shares of stock and securities to which the Optionee or Grantee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the Optionee or Grantee had been the holder of record of the number of shares of ~~Stock~~ then covered by such ~~Stock Option or Stock Appreciation Right~~ Awards.

If (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company), (ii) the Company sells, leases or exchanges substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary of the Company), (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Exchange Act acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company's voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of directors, the persons who were directors of the Company before such election shall cease to constitute a majority of the Board (each such event is referred to herein as a "Corporate Change"), ~~no later than (a) ten (10) days after the approval by the stockholders of the Company~~ then (a) in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) within thirty (30) days after a change of control of the type described in Clause (iv), the Committee, acting in its sole discretion without the consent or approval of any Optionee or Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Optionees and Grantees and which may vary among Stock Options and Stock Appreciation Rights held by any individual Optionee/Grantee: (1) accelerate the time at which Stock Options and Stock Appreciation Rights then outstanding may be exercised so that such Stock Options and Stock Appreciation Rights may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all unexercised Stock Options and Stock Appreciation Rights and all rights of Optionees and Grantees thereunder shall terminate, (2) require the mandatory surrender to the Company by selected Optionees and Grantees of some or all of the outstanding Stock Options or Stock Appreciation Rights held by such Optionees and Grantees (irrespective of whether such Stock Options or Stock Appreciation Rights are then exercisable under the provisions of the Plan) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Stock Options and Stock Appreciation Rights and the Company shall pay to each Optionee and Grantee an amount of cash per share to be determined by the Committee, (3) make such adjustments to Stock Options and Stock Appreciation Rights then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Stock Options and Stock Appreciation Rights then outstanding) or (4) provide that the number and class of shares of Common Stock covered by a Stock Option or Stock Appreciation Right theretofore granted shall be adjusted so that such Stock Option or Stock Appreciation Right shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Optionee or Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Optionee or Grantee had been the holder of record of the number of shares of Common Stock then covered by such Stock Option or Stock Appreciation Right. In addition, ~~no later than (a) ten (10) days after the approval by the stockholders of the Company~~ in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type

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described in Clause (iv), the Committee, acting in its sole discretion without the consent or approval of any Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Grantees and which may vary among Restricted Stock or Restricted Stock Units held by any individual Grantee: (1) remove any and all restrictions to which the Restricted Stock and Restricted Stock Units is subject including removing the Restriction Period, (2) require the mandatory surrender to the Company by selected Grantees of some or all of the outstanding Restricted Stock or Restricted Stock Units held by such Grantees as of a date, before or after such Corporate Change, specified by the Committee and the Company shall pay to each Grantee an amount of cash per share to be determined by the Committee, (3) make such adjustments to the Restricted Stock or Restricted Stock Units then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to the Restricted Stock or Restricted Stock Units then outstanding) or (4) provide that the number and class of shares of ~~Restricted Stock~~ covered by a Restricted Stock or Restricted Stock Unit Award Agreement theretofore granted shall be adjusted so that such ~~Restricted Stock Award~~ shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Grantee had been the holder of record of the number of Shares ~~which was not Restricted Stock~~ subject to the Award Agreement. In addition, in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type described in Clause (iv), the Committee, acting in its sole discretion without the consent of any Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Grantees and which may vary among Performance Awards held by any individual Grantee: (1) terminate the Performance Award in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the achievement of performance goals under such Award as of the date of the occurrence of such transaction or event or at the target performance level, as determined by the Committee in its sole discretion (and, for the avoidance of doubt, if as of the date of the occurrence of such transaction or event the Committee determines in good faith that no amount would have been payable or Shares issued, then such Performance Award may be terminated by the Committee without payment), (2) replace the Performance Award with other rights and property selected by the Committee in its sole discretion, (3) make such adjustments to the Performance Award then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to the Performance Award then outstanding) or (4) provide that the number and class of Shares covered by a Performance Award theretofore granted shall be adjusted so that such Performance Award shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Grantee had been the holder of record of the number of Shares then covered by such Performance Award.

(d) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason therefor shall be made with respect to, any Restricted Stock or the number of ~~shares of Stock~~ Shares subject to Restricted Stock Units, Stock Options ~~or~~, Stock Appreciation Rights or Performance Awards theretofore granted or the Option Price or SAR Grant Value.

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(e) To the extent applicable, the adjustments provided for in this Article VIII are to be made in a manner consistent with the requirements of Sections 422, 424 and 409A of the Code and related Treasury Regulations and other applicable law.

IX. Amendment or Termination of the Plan

The Board in its discretion may terminate the Plan at any time with respect to any ~~s~~Shares for which ~~Stock Options, Stock Appreciation Rights, or Restricted Stock Awards~~ have not theretofore been granted. The Board shall have the right to alter or amend the Plan or any part thereof from time to time; provided, that no change in any ~~Restricted Stock Agreement, SAR Agreement or Stock Option Award~~ Agreement theretofore granted may be made which would impair the rights of the Participant without the consent of such Participant (unless such change is required in order to cause the benefits under the Plan to qualify as performance-based compensation within the meaning of Section 162(m) of the Code and applicable interpretive authority thereunder); and provided, further, that (i) the Board may not make any alteration or amendment which would decrease any authority granted to the Committee hereunder in contravention of Rule 16b-3 and (ii) the Board may not make any alteration or amendment which would materially increase the benefits accruing to Participants under the Plan, increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan, change the class of individuals eligible to receive ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ under the Plan or extend the term of the Plan, without the approval of the stockholders of the Company.

X. Securities Laws

(a) The Company shall not be obligated to issue any Shares pursuant to any ~~Restricted Stock Agreement, Stock Appreciation Right or Stock Option Award~~ granted under the Plan at any time when the offering of the ~~shares of Restricted Stock, or shares~~Shares covered by such ~~Stock Option or Stock Appreciation Right Award~~ have not been registered under the Securities Act of 1933 and such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the offering and sale of such Shares.

(b) It is intended that the Plan and any grant of ~~Restricted Stock, Stock Appreciation Right or a Stock Option~~an Award pursuant to an Award Agreement made to a person subject to Section 16 of Exchange Act meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such ~~Restricted Stock Award Agreement, SAR Agreement or Stock Option~~ would disqualify the Plan or ~~such Restricted Stock Agreement, SAR Agreement or Stock Option under~~an Award thereunder, or would otherwise not comply with, Rule 16b-3, such Plan provision, ~~Restricted Stock Agreement, SAR Agreement or Stock Option~~ or Award Agreement shall be construed or deemed amended to conform to Rule 16b-3.

XI. General

(a) Nothing contained in this Plan, ~~any Restricted Stock Agreement, any SAR Agreement or any Stock Option Award Agreement~~ granted pursuant to this Plan shall confer upon any employee the right to continue in the employ of the Company or its parent or subsidiary or any other corporation affiliated with the Company, or interfere in any way with the rights of the Company or its parent or subsidiaries or any corporation affiliated with the Company to terminate his or her employment. Except as provided in Article IV (or such shorter or longer period specified in ~~the~~an Option Award Agreement), for the entire time from the date of granting an Incentive Stock Option until the date of exercise, the holder of an Incentive Stock Option must be an employee of the Company (or a subsidiary of the Company that is a corporation for federal tax purposes).

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(b) No Optionee or Grantee shall have any rights as a stockholder of the Company with respect to any Shares subject to a Stock Option or Stock Appreciation Right hereunder until such Stock Option or Stock Appreciation Right shall be exercised and Shares have been issued. No Grantee shall have any rights as a stockholder of the Company with respect to any Shares subject to a Restricted Stock Unit or a Performance Award until the date of issuance of Shares in Grantee's name.

(c) Nothing contained in this Plan, ~~a Restricted Stock Agreement, an SAR Agreement or in any Stock Option or an Award~~ Agreement issued hereunder shall impose any liability or responsibility on the Company, the Board, the Committee or any member or any of the foregoing to pay, or reimburse any Participant for the payment of any tax arising out of, or on account of the issuance of Restricted Stock, Restricted Stock Units, Stock Appreciation Right ~~or Stock Option or Rights~~, Stock Options or Performance Awards hereunder to any Participant, an Optionee's exercise of any Stock Option issued under the Plan, a ~~Grantees~~ Grantee's exercise of any Stock Appreciation Right issued under the Plan or a Participant's sale, transfer or other disposition of any Restricted Stock, or Shares acquired pursuant to the exercise of any Stock Option ~~or~~, Stock Appreciation Right or Performance Award issued hereunder. Any person receiving Restricted Stock, Restricted Stock Units, a Stock Appreciation Right ~~or~~, a Stock Option or a Performance Award hereunder shall expressly acknowledge and agree that such participation is voluntary and that the Participant shall be solely responsible for all taxes to which he or she may, or become subject, as a consequence of such participation.

(d) The limitations and restrictions set forth in this Plan, to the extent such limitations and restrictions differ from the Company's prior employee incentive plans, shall not apply to ~~Option Agreements, Restricted Stock Agreements and SAR Agreements entered into and effective~~ Awards granted prior to the effective date of this Plan.

**PROPOSAL 5—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS**

The audit committee has appointed Deloitte & Touche LLP as the independent registered public accounting firm to serve as our independent registered public accountants in respect of the fiscal year ending December 31, 2011. The audit committee recommends that our stockholders ratify this appointment.

During 2010, Deloitte & Touche LLP audited our annual consolidated financial statements and those of our subsidiaries, reviewed financial information in filings with the SEC and other regulatory agencies, audited our internal control over financial reporting for the fiscal year ended December 31, 2010, and provided various other services.

The affirmative vote of the majority of the shares present in person or represented by proxy at the annual meeting and voting on the proposal shall constitute ratification of the selection of Deloitte & Touche LLP. If our stockholders do not ratify the appointment of Deloitte & Touche LLP, the appointment of an independent registered public accounting firm to serve as the independent registered public accountants for the fiscal year ending December 31, 2011 will be reconsidered by the audit committee.

Representatives of Deloitte & Touche LLP are expected to be present at the meeting and will have an opportunity to address the meeting and respond to appropriate questions.

The board of directors unanimously proposes and recommends that you vote "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for the fiscal year ending December 31, 2011.

**SUBMISSION OF STOCKHOLDER PROPOSALS FOR OUR 2012 ANNUAL
MEETING OF STOCKHOLDERS**

Stockholder proposals intended to be presented under Rule 14a-8 under the 1934 Act for inclusion in our proxy statement and accompanying proxy for our 2012 annual meeting of stockholders, including nomination of an individual for election as a director at the 2012 annual meeting of stockholders, must be received at our principal executive offices in Houston, Texas, on or before December 17, 2011, and must meet all the requirements of Rule 14a-8. If a stockholder intends to present a proposal at our 2012 annual meeting but has not sought the inclusion of such proposal in our proxy materials, we must receive the proposal on or before March 21, 2012, or our management proxies for the 2012 annual meeting will be entitled to use their discretionary voting authority if the proposal is then raised at the meeting, without any discussion of the matter in our proxy materials, in accordance with Rule 14a-4(c) under the 1934 Act. For a description of some of the requirements for suggesting an individual for consideration by the nominating and corporate governance committee for election as a director, see "Our Board of Directors and Its Committees—Board of Directors; Corporate Governance Matters—Stockholder Nomination Process."

Proposals and other notices should be sent to:

David S. Elkouri, Executive Vice President—General Counsel and Secretary
1000 Louisiana, Suite 5600
Houston, Texas 77002

The use of certified mail, return receipt requested, is suggested.

OTHER MATTERS

The board knows of no other proposals that may properly be presented for consideration at the annual meeting but, if other matters do properly come before the annual meeting, and provided you fill out the enclosed proxy card and return it, thereby consenting to be represented at the annual meeting by proxy, the persons named in the proxy will vote your shares according to their best judgment.

By Order of the Board of Directors
of Petrohawk Energy Corporation

PETROHAWK ENERGY CORPORATION
1000 Louisiana, Suite 5600
Houston, Texas 77002

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2011

PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Floyd C. Wilson and Mark J. Mize and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares which the undersigned may be entitled to vote at the annual meeting of stockholders of Petrohawk Energy Corporation on May 18, 2011 and any adjournments or postponements thereof, with all powers that the undersigned would possess if personally present, with respect to the matters referred to on this proxy. A majority of the proxies or substitutes present at the meeting may exercise all power granted hereby.

(Continued and to be signed on the reverse side)

ANNUAL MEETING OF STOCKHOLDERS OF
PETROHAWK ENERGY CORPORATION

May 18, 2011

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR, "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, FOR THE OPTION OF EVERY "1 YEAR" AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION, "FOR" THE AMENDMENT OF THE THIRD AMENDED AND RESTATED 2004 EMPLOYEE INCENTIVE PLAN AND "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2011. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ☐

1. Election of Directors.

☐ **FOR ALL NOMINEES**

☐ **WITHHOLD AUTHORITY
FOR ALL NOMINEES**

☐ **FOR ALL EXCEPT**
(See instructions below)

NOMINEES:

- ☐ Floyd C. Wilson
☐ Gary A. Merriman
☐ Robert C. Stone, Jr.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: •

- | | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 2. Approval of the compensation of our named executive officers. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> |
| 3. Recommendation of the frequency of a stockholder vote to approve the compensation of our named executive officers. | 1 year
<input type="checkbox"/> | 2 years
<input type="checkbox"/> | 3 years
<input type="checkbox"/> |
| | ABSTAIN
<input type="checkbox"/> | | |
| 4. Approval of amendments to our Third Amended and Restated 2004 Employee Incentive Plan. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |
| 5. Ratification of the appointment of Deloitte & Touche LLP as our Independent Registered Public Accountants for 2011. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |

This Proxy when properly executed will be voted in the manner directed herein. If properly executed and no direction is made, this Proxy will be voted in accordance with the above-stated recommendations of our Board of Directors.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

PLEASE MARK, SIGN, DATE, DETACH AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

ANNUAL MEETING OF STOCKHOLDERS OF
PETROHAWK ENERGY CORPORATION

May 18, 2011

PROXY VOTING INSTRUCTIONS

MAIL - Date, sign and mail your proxy card in the envelope provided as soon as possible

COMPANY NUMBER

- OR -

TELEPHONE—Call toll-free **1-800-PROXIES** (1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

ACCOUNT NUMBER

- OR -

INTERNET — Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

You may enter your voting instructions at 1-800-PROXIES or **www.voteproxy.com** up until 11:59 PM Eastern Time the day before the cut-off or meeting date.

Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR, "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, FOR THE OPTION OF EVERY "1 YEAR" AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION, "FOR" THE AMENDMENT OF THE THIRD AMENDED AND RESTATED 2004 EMPLOYEE INCENTIVE PLAN AND "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2011. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ☒

1. Election of Directors.

☐ **FOR ALL NOMINEES**

☐ **WITHHOLD AUTHORITY
FOR ALL NOMINEES**

☐ **FOR ALL EXCEPT**
(See instructions below)

NOMINEES:

- ☐ Floyd C. Wilson
- ☐ Gary A. Merriman
- ☐ Robert C. Stone, Jr.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **"FOR ALL EXCEPT"** and fill in the circle next to each nominee you wish to withhold, as shown here: •

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| | FOR | AGAINST | ABSTAIN |
| 2. Approval of the compensation of our named executive officers. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | 1 year | 2 years | 3 years |
| 3. Recommendation of the frequency of a stockholder vote to approve the compensation of our named executive officers. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | FOR | AGAINST | ABSTAIN |
| 4. Approval of amendments to our Third Amended and Restated 2004 Employee Incentive Plan. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | FOR | AGAINST | ABSTAIN |

5. Ratification of the appointment of Deloitte & Touche LLP as
our Independent Registered Public Accountants for 2011.

☐☐☐

This Proxy when properly executed will be voted in the manner directed herein. If properly executed and no direction is made, this Proxy will be voted in accordance with the above-stated recommendations of our Board of Directors.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

PLEASE MARK, SIGN, DATE, DETACH AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

TAB 2

JOHN K. MEYER, ET AL.,	§	IN THE DISTRICT COURT
	§	
<i>Plaintiffs,</i>	§	
	§	
v.	§	
	§	
JPMORGAN CHASE BANK, N.A.,	§	225TH JUDICIAL DISTRICT
INDIVIDUALLY/CORPORATELY AND	§	
AS TRUSTEE OF THE SOUTH TEXAS	§	
SYNDICATE TRUST AND GARY P.	§	
AYMES,	§	
	§	
<i>Defendants.</i>	§	BEXAR COUNTY, TEXAS

STATE OF TEXAS §
§
COUNTY OF DALLAS §

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

2. My hourly rate is \$325.
3. I considered and/or reviewed those items listed on Exhibit 1 to my report.

4. I am qualified to serve as an expert witness in this case, which deals with issues of fiduciary duties and the level of care, skill, and caution expected of professional fiduciaries in the performance of their duties as a trustee of a trust. My qualifications are from my experience

serving as a Trust Officer for a national banking institution, as in-house counsel for two national banking institutions and as outside counsel retained by corporate fiduciaries.

5. The scope of responsibilities during my employment as a Trust Officer included the direct and indirect management of all areas of trust and fiduciary services, including trust administration, estate administration, investments, real estate, oil and gas, notes and mortgages and marketing of fiduciary services.

6. The scope of responsibilities during my employment as in-house counsel included (a) providing substantive legal support for trust offices located in Texas and other Southwestern and Midwestern states and for several regional trust offices, primarily working with the trust market executives and trust officers to address fiduciary questions and concerns arising in connection with specific trusts and other fiduciary accounts and serving as the primary national legal support for special trust asset groups, including the oil and gas, real estate, farm and ranch and closely held assets units, (b) managing litigation and threatened litigation matters involving trusts and other fiduciary accounts including retaining appropriate counsel, monitoring outside counsel activities and the progress of each matter, evaluating monetary and reputational risks, advising senior executives of the ongoing status of pending matters and potential options to resolve the matters, and (c) participating in ongoing projects with risk and compliance areas to develop internal written policies and procedures to identify and address risk factors in connection with the administration of fiduciary accounts.

SCOPE OF ENGAGEMENT

7. I have been engaged to apply my professional knowledge of fiduciary duties, standards, policies and practices to evaluate the actions, decisions, activities and omissions of the

Defendants in the performance of their duties in connection with the administration of the South Texas Syndicate Trust.

BACKGROUND OF THE TRUST

8. In 1906, Jed L. Washburn and five other investors purchased approximately 132,000 contiguous acres in McMullen and LaSalle Counties, Texas. In 1932, the then owners conveyed title to the land to A. McC. Washburn, who issued Certificates of Beneficial Interest to 30,000 shares in the South Texas Syndicate Trust (the “Trust”). Each beneficial owner received a Certificate for that part of the 30,000 shares equal to his proportionate interest in the South Texas Syndicate property. After the death of A. McC. Washburn in 1939, John T. Pearson was appointed Trustee of the Trust. Mr. Pearson died in 1950, leaving no person or entity named as Successor Trustee for the Trust.

9. The original ownership of the Trust property was in fee, with the initial purchasers owning both the surface and mineral estates. In 1950, the entire surface estate was sold, and since then the primary asset of the Trust has been the mineral estate and certain water rights in the 132,000 acres.

10. The Alamo National Bank was appointed Successor Trustee of the Trust on February 12, 1951 by court order. JP Morgan Chase Bank, N.A. (“JP Morgan”) and its predecessor banks, as successors to The Alamo National Bank, have acted as Successor Trustee of the Trust since that date. The Trust is considered to be a liquidating trust and the trustee was granted the authority to continue that liquidation.

11. The 1951 court order in relevant part permits the following compensation for the Trustee:

- a) “reasonable compensation” on sales of trust assets;
- b) 2.5% of disbursements for “routine services and responsibilities as

Trustee, including taking title of trust properties, ordinary management of trust properties, assessing of the trust properties for taxation, appearing before boards of equalization, [and] receiving, checking and disbursing of the royalties from trust properties”;

- c) A “reasonable fee” for “extraordinary services which the Trustee may be called upon to perform in connection with the trust estate”; and
- d) “Reimbursement for actual out-of-pocket expenses and reasonable attorneys’ and accountants’ fees incurred in connection with the said trust properties.”

12. Upon accepting its appointment as the Successor Trustee in 1951, The Alamo National Bank agreed that it would resign as trustee of the Trust upon the written request of fifty-one percent or more of the of holders of the then outstanding Certificates of Beneficial Interest.

13. Defendant Gary P. Aymes, who is an Executive Director and Senior Trust Officer for JP Morgan, is the principal officer and employee at JP Morgan primarily responsible for the administrative responsibilities for the Trust. The mineral management and leasing was handled almost exclusively by only one bank officer, Patricia Ormond, with minimal supervision by her supervisors. Upon her departure from JP Morgan, the responsibility for mineral management fell to H.L Tompkins and Bertram Hayes-Davis.

OVERVIEW

14. Plaintiffs allege that the Defendants breached their fiduciary duties and acted in an imprudent manner as it undertook and concluded the negotiation of unfavorable mineral leases of the Trust’s principal asset, being the mineral estate and water rights in the 132,000 acres (1) without doing reasonable and prudent levels of due diligence, (2) without obtaining market rate lease terms and compensation, (3) without maximizing the Trust’s benefits and interests in the mineral estate and water rights, and (4) without keeping the Trust beneficiaries adequately informed to allow them to monitor and protect their interests.

15. Plaintiffs also allege that the Defendants in administering the Trust (1) charged the Trust with excessive and unauthorized fees and commissions, (2) interpreted the 1951 court order in a self-serving manner that improperly benefited JP Morgan to the detriment of the Trust, (3) failed to disclose and avoid conflicts of interest between its corporate interests and its obligations as Trustee to the detriment of the Trust and its beneficiaries, and (4) failed to timely tender its resignation as Trustee causing harm to the Trust.

16. The evaluation of these issues focuses on the extent to which Defendant JP Morgan and its officers and employees did or did not sufficiently utilize an appropriate level of care, skill and caution in the administration of the Trust and in the performance of its duties, including the duties of (1) prudence, (2) loyalty, and (3) disclosure.

STATUTORY AND COMMON LAW GUIDANCE

17. Texas Property Code. Provisions of the Texas Property Code and the Uniform Prudent Investor Act as set forth in the Texas Property Code that are pertinent to my analysis are set forth below. The Uniform Prudent Investor Act provides guidance on the prudence required of a trustee in the investment and management of assets held in a Texas trust. The Uniform Prudent Investor Act adopts the Prudent Investor Rule.

18. §113.029(a) - Notwithstanding the breadth of discretion granted to a trustee in the terms of the trust, including the use of terms such as “absolute,” “sole,” or “uncontrolled,” the trustee shall exercise a discretionary power in good faith and in accordance with the terms and purposes of the trust and the interests of the beneficiaries.

19. §113.051(a) - The trustee shall administer the trust in good faith according to its terms and this subtitle. In the absence of any contrary terms in the trust instrument or contrary

provisions of this subtitle, in administering the trust the trustee shall perform all of the duties imposed on trustees by the common law.

20. §117.004(a) - A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distributions requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

21. §117.004(c)(8) - provides that one of the circumstances a Trustee is required to consider in investing and managing trust assets is “an asset’s special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries” .

22. §117.004(d) - A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

23. §117.004(e) - A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee’s reputation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

24. §117.007 - A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

25. Office of the Comptroller of the Currency. The Office of the Comptroller of the Currency (OCC) has responsibility for the examination and supervision of national banks in exercising fiduciary powers. OCC regulations require a bank to “adopt and follow written policies and procedures adequate to maintain its fiduciary compliance with applicable law”. 12CFR9.5 (2010). This requires national banks to establish sound internal controls and appropriate policies as part of the bank’s risk management.

26. Common Law and Commentaries. Commentary on the duties and obligations of a trustee in the management of a trust include:

- a) *InterFirst Bank Dallas, N.A. v. Risser*, 739 S.W. 2d 882 (Tex. App.-Texarkana 1987, no writ)
- b) *Montgomery v. Kennedy*, 669 S.W. 2d 309 (Tex. 1984)
- c) *Huie v. DeShazo*, 922 S.W. 2d 920 (Tex. 1996)

27. A trustee has a duty to administer a trust solely in the interest of the trust beneficiaries. A trustee has a duty in dealing with its beneficiary to deal fairly and to communicate to the beneficiary all material facts the trustee knows or should know in connection with the matter. (§78 Restatement of the Law on Trusts, Third).

28. A trustee has a duty to keep beneficiaries reasonably informed of changes involving the trusteeship and about other significant developments concerning the trust and its administration, particularly material information needed by the beneficiaries for the protection of their interests. (§82(1)(c) Restatement of the Law on Trusts, Third).

29. Trustee's duty to furnish information, Scott on Trusts §173.

30. Trustee's duty of loyalty and duty of disclosure, Bogert, Trusts and Trustees, §543 and §961.

31. The Texas Pattern Jury Charge sets forth jury instructions, comments and remedies regarding breach of fiduciary duties. Specific sections can be found in the Business version at PJC 104.3, 104.4, 115.15, and in the Family/Probate version at PJC 235.9 - 235.15.

ANALYSIS

32. Since the Trust is a liquidating trust, the mineral interest and water rights constitute the primary and major assets of the Trust. The Trust owns the entire mineral interest underlying one contiguous 132,000 acre tract, which representatives of JP Morgan have indicated was the largest contiguous mineral property managed by JP Morgan in Texas. Given the size and scope of this asset, the proper valuation of the mineral interest and water rights

required full investigation and analysis at each instance where the mineral interest and water rights were being considered for lease. In completing its investigation and analysis, JP Morgan was required to utilize the requisite care, skill and caution of a prudent professional. In doing so, JP Morgan as a trustee who has special skills and expertise should have utilized every available resource to determine a proper valuation prior to entering into any lease of the mineral interest and water rights.

33. A prudent professional trustee in order to comply with the requirements of the Uniform Prudent Investor Act, applicable OCC regulations, other provisions of the Texas Trust Code and common law would establish an effective system of controls, policies, procedures and due diligence to ensure the effective evaluation and marketing of the interests held in the Trust so that the Trust would receive full value for the lease of those interests. Importantly, a prudent professional would be required to engage in this due diligence each time a lease opportunity was presented, whether it be a new lease, a renewal of a lease or an amendment to a lease.

34. This due diligence would include efforts to identify and review relevant information regarding the location of the asset and trends and developments in that location, trends and developments in the industry that could affect the value of the interests, the identity of entities that are active in leasing similar mineral interests and which might be interested in leasing all or a portion of the mineral interest, thoroughly investigating the entities that have indicated an interest in leasing the interests, utilizing all available resources both within the organization and outside of the organization that could assist the trustee in determining the proper value of the interests, and the evaluation of any special or unique circumstances that may affect the value or marketing of the interests. By completing this due diligence, a prudent trustee will increase the likelihood that the interests will be leased at their full market value.

35. Prudent and Competent Trust Management. Plaintiffs allege that the Defendants breached their fiduciary duties and did not act in a competent and prudent manner as they undertook and concluded the negotiation of unfavorable mineral leases of the Trust's principal asset, being the mineral interest and water rights in the 132,000 acre Trust property, and failed to otherwise properly manage the Trust and its assets. Based on my review of the items shown on Exhibit 1 and my review of deposition testimony and exhibits that may be admitted into evidence in this case, I conclude that JP Morgan failed to ensure that its officers and employees completed effective and thorough due diligence in the evaluation and marketing of the mineral interest and water rights, failed to establish an effective system of controls, policies, procedures and supervision to ensure compliance with applicable statutes and regulations and failed to otherwise properly manage the Trust and its assets . These failures were the direct cause of the Trust not receiving full value for the lease of the mineral interest and no consideration whatsoever for the lease of the water rights.

36. It is initially important to note when analyzing the adequacy of JP Morgan's management of the Trust mineral interests that Ms. Ormond has testified that the assets were the most remarkable that she had seen in her thirty-five year career as a landman. Bert Hayes-Davis also acknowledged the special nature of these assets when he testified that this was the largest contiguous property of this nature in any account under JP Morgan's management.

37. For the majority of the period from October 2005 through September 2009 for which Ms. Ormond was responsible for the management and leasing of the Trust mineral interest, she failed to develop any meaningful or comprehensive plan for the ongoing development and management of the mineral interest to ensure that the Trust realized their full value. Although Ms. Ormond has indicated that she had a plan in mind, she is unable to describe

the purported plan in any detail, and the plan was never reduced to writing or otherwise adequately presented to the Trust beneficiaries. It appears as though the only marketing efforts were JP Morgan's attendance at the North American Prospect Expo. This is particularly troubling as the mineral interest and the water rights are essentially the sole assets of the Trust. JP Morgan further failed to seek the advice and retain knowledgeable professionals such as geologists, geophysicists, petroleum engineers, attorneys, and others regarding the prudent development of the mineral asset.

38. JP Morgan had in its possession seismic surveys for a portion of the Trust property since 1999. There are no indications, however, that anyone at JP Morgan had initiated or completed any substantive review of the seismic data for many years to determine if it might be helpful in determining the potential for development of portions of the property. In addition, Ms. Ormond failed to adequately seek the assistance or input of a geophysicist or geological expert in evaluating the seismic data or in assisting in any further evaluation of the property for traditional drilling opportunities and more importantly for horizontal drilling opportunities in a shale formation, even though these resources were readily available to JP Morgan employees and had been utilized for other projects in the past.

39. One of the lessees of a 9,400 acre tract was required to enter into four separate lease shares and enter into a separate lease for each share, which would have increased the number of wells drilled. Instead of enforcing that requirement, JP Morgan allowed the lessee to enter into one lease covering the entire 9,400 acre tract, which reduced the number of wells and reduced the revenue to the Trust.

40. In 2008 Petrohawk approached JP Morgan expressing an interest in leasing all or a significant portion of the mineral interests that were available or could become available by the

lapse of existing leases. At that time, Ms. Ormond was evidently not aware that Petrohawk had publically transformed its operations to being primarily in shale development. Given the sudden interest by one party in leasing substantially all of the Trust mineral interest, JP Morgan did not exercise sufficient due diligence to determine Petrohawk's primary focus on developing shale formations. If such due diligence had been completed, given Petrohawk's intent to focus on drilling opportunities in shale formations similar to the Eagle Ford, JP Morgan should have understood that having a mineral interest the size and scope of the one held in the Trust under lease would have been of great value to Petrohawk and possibly to other entities with similar focus and interest.

41. After being approached by Petrohawk, JP Morgan should have realized that Petrohawk's likely interest was in horizontal drilling shale resource plays. JP Morgan's admitted experience in and knowledge of other shale developments, like Barnett and Haynesville, would indicate that other entities would likely be interested in exploring lease opportunities. Given the historical nature of shale development and past experience, JP Morgan should have known that this increased interest in the mineral interest likely would have led to other lease opportunities and a competitive bidding environment. That same environment in other shale developments significantly raised bonus payments on future leases. This failure became especially acute after Petrohawk completed a successful well on Trust property, as an additional 38,000 acres of Trust mineral interests remained available for lease, and much higher compensation could be expected in connection with the leasing of the remaining 38,000 acres.

42. Even after Petrohawk's public announcement of the success of the completed first well drilled on the Trust property, JP Morgan inexplicably agreed to enter into three subsequent additional leases with Petrohawk on essentially the same terms, if not on less favorable terms for

the Trust, doing so without first undertaking sufficient additional due diligence on the value of the remaining available acreage and without taking meaningful and sufficient steps to encourage other entities which had similar interests in shale formations to review the Trust mineral interest or to seek bids from them.

43. In addition, to failing to properly and prudently manage the leasing of the mineral interests, JP Morgan again inexplicably agreed to grant to Petrohawk the use of the Trust's water rights without requesting or receiving any consideration from the lessee for those water rights. Given the location of the Trust property and the need for vast amounts of water in connection with horizontal drilling involving fracking, these water rights would be of significant value and importance to the operator of a horizontal drilling program and accordingly were of significant value to the Trust.

44. Prior to Petrohawk approaching JP Morgan, a portion of the Trust property had been under lease to Cullen/Hilcorp and Hunt Oil and its predecessors for many years. Evidently, there was some question as to whether the Cullen and Hunt leases had not been maintained under their terms, and in fact Ms. Ormond has indicated that she believed that to be the case. JP Morgan failed to seek timely cancellation of the Cullen leases. In addition, there is evidence to suggest that Petrohawk and others were willing to lease the Hunt acreage if it was determined that Hunt no longer held the leases. JP Morgan did not take the steps necessary to fully investigate the status of the leases, and in spite of that on four separate occasions from 2009 through 2012 JP Morgan agreed to amend the Hunt leases without receiving adequate consideration for agreeing to the amendments and without exploring what consideration Petrohawk and others might have been willing to pay if the acreage was available for lease to it.

45. The materials and the evidence also suggest that in addition to JP Morgan's failures with respect to the leasing of the mineral interests, after leases were in place, JP Morgan did not ensure that it could sufficiently monitor lessees' compliance with the terms of the leases, including failing to properly monitor timeliness of delay rental payments and bank days to determine if a lease was still in force and failing to conduct a routine audit of the operations of the lessees to ensure that proper payments were being made under the leases and to ensure that only proper deductions were being made from those payments. At one point in time, JP Morgan outsourced many of these responsibilities to a third party which failed to properly discharge these duties on behalf of the Trust as agent for JP Morgan. Because of the special and unique circumstances surrounding this asset, JP Morgan's failure to properly manage it is even more blatant.

46. Many of these failures arose due to the acts and omissions of Ms. Ormond, who had limited experience in horizontal drilling resource plays. The only other person within JP Morgan who was directly involved with the management and leasing of the Trust mineral interest at the time that the Petrohawk leases were entered into was Mr. Derrington, a newly hired mineral manager who reported to Ms. Ormond and who had only a "smattering of oil and gas experience". In addition Mr. Hayes-Davis, who was Ms. Ormond's supervisor and was the National Mineral Manager for JP Morgan, had not acted as a mineral manager prior to his hiring by JP Morgan and did not have requisite experience in negotiating or drafting mineral leases.

47. Prior to the time that JP Morgan entered into the Petrohawk leases that were signed by Ms. Ormond, Mr. Hayes-Davis had not reviewed leases and had only limited discussions with Ms. Ormond regarding the terms of the leases. JP Morgan permitted the single largest mineral asset under their management in Texas to be managed by a mineral manager who

had limited experience in horizontal drilling resource plays, by a wholly inexperienced secondary mineral manager and by a supervisor who had little or no experience in negotiating or drafting mineral leases and did not review the leases.

48. The effects of this failure to adequately staff and supervise the direct management of the Trust and the mineral interest was exacerbated by JP Morgan's failure to establish an appropriate and effective committee structure to review any proposals for the lease of the mineral interest in order to ensure the Trust would receive full market value. Ms. Ormond has indicated that she generally discussed the lease offers with other mineral managers within JP Morgan; however, I have not been provided with any documentation to substantiate this assertion. It appears that the only formal approval for the leases came from Ms. Ormond and the inexperienced Mr. Derrington. It is my understanding that JP Morgan had a formal committee structure in place prior to Ms. Ormond's tenure and since her departure from the company has implemented a committee structure. The precise purpose of these committees is to ensure that any lease proposal is properly vetted by other professionals within JP Morgan's mineral management area and by those appropriate professionals outside the company.

49. In addition, at the time that JP Morgan entered into the Petrohawk leases the only minimal control process for reviewing lease proposals that was in place was the requirement that two mineral managers approve a lease proposal prior to entering into a lease. With respect to the December 2008 Petrohawk leases only one mineral manager approved the leases.

50. Based upon the above instances and the review of the materials, and testimony, I am of the opinion that JP Morgan did not perform its activities in managing and leasing the Trust mineral interests and water rights with reasonable and appropriate levels of skill, care, and caution in regard to its duties of prudent professional management of the Trust.

51. Duty of Loyalty. Under Texas law and common law, the Defendants owe to the beneficiaries a strict duty of loyalty in administering the Trust. It is alleged that JP Morgan's conduct in managing the Trust minerals and water rights did not take into consideration the best interests of the beneficiaries and may have been in conflict with the interests of JP Morgan. It is my understanding that testimony and exhibits are being offered in this proceeding to evidence that JP Morgan failed to fulfill the duty of loyalty.

52. Both Ms. Ormond and Mr. Tompkins, who took over for Ms. Ormond in managing the mineral interest, have indicated that throughout their tenures JP Morgan failed to provide the resources and level of personnel necessary to permit them to properly and prudently manage the Trust mineral interest. Because of the burden of administrative matters, Ms. Ormond stated that she was left to deal with granting oil and gas leases on a "fire" basis. This issue was made known on numerous occasions to Mr. Hayes-Davis and those to whom he reported. Despite being aware of these concerns that the mineral managers were not receiving sufficient support to engage in an office with efficiency, JP Morgan would not permit additional positions to be filled. The solution for this issue would have been for JP Morgan to ensure that the mineral management department was fully staffed. Doing so, of course would have necessitated that JP Morgan expend its own funds to pay for the necessary personnel.

53. Ms. Ormond has testified that she had considered not entering into the December 2008 leases and instead waiting until a later date to provide an opportunity to fully review the performance of the completed Petrohawk well and to consider lease options for the remaining 38,000 acres. She indicated that she had not had the opportunity to review the information regarding the successful well that had been completed on the Trust property nor did she wait for the results of the Whittier/Blackbrush seismic shoot which was in the process of being

completed. Ms. Ormond indicated that in spite of her hesitance to enter into the December 2008 leases for reasons that might have benefited the Trust, her supervisors instructed her to enter into the leases. JP Morgan had permitted Ms. Ormond to manage the mineral interest without any meaningful supervision for years; however, in this instance her managers insisted that she enter into the leases in spite of her hesitance.

54. The Alamo National Bank, upon accepting its appointment as the successor trustee in 1951, agreed that it would resign as trustee of the Trust upon the written request of at least fifty- one percent or more of the of holders of the then outstanding Certificates of Beneficial Interest. JP Morgan as successor to The Alamo National Bank was bound by that agreement to resign. JP Morgan was on notice since at least January of 2012 that more than fifty-one percent or more of the holders of the then outstanding Certificates of Beneficial Interest had requested JP Morgan to resign. JP Morgan breached that agreement and failed to resign. In doing so, they precluded the timely appointment of a successor trustee to ensure that the Trust assets could be properly managed going forward and continued to charge the Trust for trustee fees and commissions even after receiving the request for resignation. Not only did JP Morgan receive these fees, the beneficiaries were forced to expend attorney's fees in an attempt to force JP Morgan to acknowledge that it was no longer trustee and to facilitate the transfer of the Trust to a successor trustee.

55. In negotiating with JP Morgan for all of the leases, Petrohawk asked Ms. Ormond to keep their leasing activity confidential. Representatives of Petrohawk have testified that the reason for the confidentiality was their belief that if it was revealed that Petrohawk was actively seeking lease opportunities; the consideration they would need to pay to obtain the leases would likely increase substantially. JP Morgan did not owe a duty of confidentiality to Petrohawk, yet

Ms. Ormond agreed to their request and continued to keep the leasing activity confidential even from the Trust beneficiaries, when disclosing the fact that a major company was interested in the Trust mineral interest could have substantially increased the compensation received by the Trust.

56. By 2007, Petrohawk had sold essentially all of its interest in conventional wells and had publically announced that it was going to focus primarily on horizontal drilling shale resource plays. In February of 2008, JP Morgan Chase Bank, N.A. was a participant lender in a \$1 billion line of credit facility to Petrohawk. Between February 2008 and September of 2008 the line of credit facility had increased to \$1.5 billion. This relationship between JP Morgan and Petrohawk would have been easily discovered had JP Morgan completed any meaningful due diligence on Petrohawk prior to entering into leases with Petrohawk. This knowledge would have caused JP Morgan to take further steps to ensure that the Trust received the full market value for the lease of the mineral interest. In addition, it would have been necessary for JP Morgan to notify the beneficiaries of this material fact regarding the management of the Trust and the mineral interest.

57. In a separate matter in 2009, JP Morgan Chase Bank, N.A. and Pioneer Resources were co-defendants in a lawsuit where the beneficiaries of a trust alleged that the bank had conflicts of interest and breached its fiduciary duties in connection with the management of two mineral leases. One of the allegations was that a commercial relationship between Pioneer and the bank adversely affected the bank's management of the trust's mineral assets. In April 2009, the lawsuit was resolved by the co-defendants paying a substantial sum to the beneficiaries. In 2009, 15,000 acres of the Trust property were under leases ("Cullen Leases") that were controlled by Pioneer. In April of 2009, the same month that the other matter was settled, JP Morgan filed a suit against Pioneer alleging that Pioneer had not properly developed the

interests. Pioneer filed a \$39 million counterclaim alleging that the suit caused the Cullen Leases to be omitted from sale of a portion of Pioneer's Eagle Ford assets to Reliance. It is my understanding that JP Morgan Chase Bank at the time had significant commercial and lending relationships with Pioneer and Reliance. JP Morgan failed to disclose any of these relationships to the beneficiaries and those entities may have profited by the actions of JP Morgan in its role as trustee.

58. JP Morgan was entitled to charge a 2.5% of disbursements for "routine services and responsibilities as Trustee, including taking title of trust properties, ordinary management of trust properties, assessing of the trust properties for taxation, appearing before boards of equalization, [and] receiving, checking and disbursing of the royalties from trust properties." They could also charge a "reasonable fee" for "extraordinary services which the Trustee may be called upon to perform in connection with the trust estate". It is my understanding that JP Morgan was charging 2.5% of receipts rather than only on disbursements and was charging a fee of 7.5% of bonus lease income which likely is in excess of the fees indicated on their published fee schedule.

59. Duty of Full Disclosure. JP Morgan had a common law duty to keep the beneficiaries reasonably informed as to the status of the Trust administration and as to non-routine transactions having significant impact on the Trust and its beneficiaries. In addition, when requested, they had a duty to reasonably provide the beneficiaries with requested information and documents concerning the administration of the Trust. A trustee has the duty of providing beneficiaries with full disclosure of material information which may affect their interests. The trustee should disclose these matters to the beneficiaries before the transaction occurs, where possible. Testimony and documents reveal a recurring pattern of a lack of

disclosure regarding leasing activities and the overall management of the Trust mineral interest and water rights.

60. In spite of the primary asset of the Trust being the mineral interest which made the management of these assets of understandable interest and concern to the beneficiaries, JP Morgan failed to disclose to the beneficiaries prior to entering into the May and July Petrohawk leases that they were considering leasing 50,000 acres to one entity and later failed to fully disclose prior to the December Petrohawk leases that they were going to lease the remaining 38,000 acres to the same lessee. These actions meant that JP Morgan committed essentially the entire remaining available Trust mineral assets to one lessee over a period of seven months without properly and timely disclosing this to the beneficiaries.

61. JP Morgan has indicated that they knew the possibility existed that Hunt Oil may have failed to maintain their leases and that Petrohawk had indicated an interest in leasing those interests, yet JP Morgan failed to disclose these facts to the beneficiaries and also failed to disclose that they were planning to agree to amendments of those leases over a three year period. These were significant events and transactions that should have been disclosed to the beneficiaries.

62. JP Morgan would provide the Trust beneficiaries with annual reports on the administration of the Trust and the mineral interests, which would include a brief summary of activities in the current year. Mr. Finger would review the information from the Railroad Commission and would compile a summary of prior year activity. The report for 2007 was delivered to the beneficiaries in August of 2008, by which time the May and July Petrohawk leases had been executed. Although lessees of other portions of the Trust property were identified by name in the report, JP Morgan did not provide the beneficiaries with the identity of

Petrohawk as the lessee of the May and July leases. As noted earlier, Ms. Ormond had agreed with Petrohawk to keep their leasing activity confidential; however, she had a duty to disclose this material activity to the beneficiaries, including treating each of the leases and lessees the same for disclosure purposes.

63. JP Morgan would also provide monthly reports to the beneficiaries. In 2012, Mr. Finger in preparing one of the reports notified Mr. Tompkins and others at JP Morgan that Cheyenne Petroleum had a significant well completion in the Pearsall Shale formation and that the Pearsall Shale might become a target for drilling on the Trust property. Mr. Hayes-Davis instructed Mr. Finger that he was not to include this information in the report to the beneficiaries.

64. Executive management at JP Morgan knew that the Houston, San Antonio and Dallas mineral management offices were seriously understaffed and that in the view of Ms. Ormond the understaffing was affecting the proper management of the Trust assets. Mr. Herford, who preceded Mr. Hayes-Davis as the National Mineral Manager, and Mr. Hayes-Davis acknowledged that account load for each mineral manager was too high. JP Morgan never disclosed these staffing issues to the beneficiaries. Proper disclosure of these issues would have permitted the beneficiaries to understand how their interests might be adversely affected. Instead of disclosing the issues and providing the beneficiaries with a plan to remedy the issues, JP Morgan chose not to disclose or even address the staffing shortages and in fact consolidated their operations resulting in the closing of the San Antonio office.

65. JP Morgan failed to provide the beneficiaries with basic information. For example, several beneficiaries asked JP Morgan to provide them with copies of the Petrohawk leases to allow them to review, inspect and understand the leases. JP Morgan refused, contending that the form of the lease was JP Morgan's proprietary property and that the beneficiaries were not

entitled to copies of the leases. These leases directly affected the primary assets of the Trust which in turn directly affects the interests of the beneficiaries.

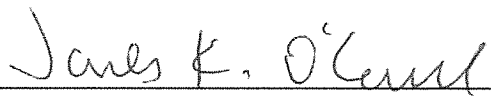
66. At some point, the executives at JP Morgan made the determination that managing the Trust was no longer profitable and that JP Morgan would either resign as trustee or alternatively either restructure the form of the Trust or sell the assets of the Trust outright and terminate the Trust. These decisions would have affected the very nature of the Trust and its assets, directly affecting the interests of the beneficiaries. At that point, JP Morgan owed a duty to the beneficiaries to fully advise them of their intent to sell the assets, resign as trustee or substantially alter the Trust. JP Morgan did not then disclose this to the beneficiaries, but further compounded the breach of their duties by not advising the beneficiaries that it had in fact retained the services of a consultant and a large law firm to offer JP Morgan advice on the various options that JP Morgan was contemplating.

67. The duty of loyalty requires that a fiduciary place the interests of the Trust and its beneficiaries ahead of those of the trustee. The duty of full disclosure requires a fiduciary to keep the beneficiaries reasonably informed as to the status of the Trust administration, and to disclose non-routine transactions having significant impact on the Trust and its beneficiaries. Based upon evidence and testimony, I am of the opinion that JP Morgan failed to exercise a reasonable and sufficient level of care, skill and caution in the management of the Trust to ensure that it placed the interests of the Trust and its beneficiaries ahead of its own and to ensure that it made full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

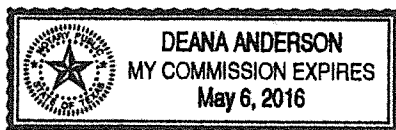
SUMMARY

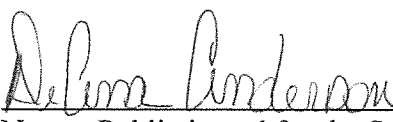
68. From the above analysis and materials reviewed, I am of the opinion that the actions, omissions and decisions of JPMorgan, as Trustee of the South Texas Syndicate Trust, did not rise to a reasonable level of skill, care, and caution to fulfill its duty with (1) prudence in administration, (2) loyalty, honesty and fair dealings to the Trust and its beneficiaries, and (3) full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

FURTHER AFFIANT SAYETH NOT.


James K. O'Connell

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.




Notary Public in and for the State of Texas

My commission expires:

May 6, 2016

TAB 3

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF ROBERT E. LEE, III

STATE OF TEXAS §

2

COUNTY OF DALLAS

2

2

On this day before me personally appeared Robert E. Lee, III, known to me, who did
depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

BACKGROUND AND QUALIFICATIONS

2. As described more fully below, my professional experience draws from over twenty-three years of active engagement in business development activities, asset management and wealth creation in both the oil and gas and real estate sectors.

3. After a brief oil and gas operations internship at Marshall Oil Corporation where I “cut my teeth” learning the industry practice of new venture acquisition, lease

administration, field development, drilling and production, I founded my first company in 1990, REL Energy, Inc., (1990-1995). The entity objective included non-operated oil and gas resource play discovery, asset valuation, acquisition, optimization and disposition of oil and gas holdings to accelerate future investment and overall portfolio value.

4. I direct and oversee multiple personal Lee family trusts and business entities engaged in oil and gas investment, leasing, development drilling and production. I presently serve in the following capacities, safeguarding value and promoting each entity's continued growth and development: President, REL Resources, Inc.; Manager, CARROB, L.L.C.; Trustee, Lee Family Trusts.

5. I am accountable for the active marketing of mineral interests held in Colorado, Louisiana and Oklahoma, the valuation and assessment of new ventures and the on-going operations, facilitating land/lease negotiations to optimize the inherent value for mineral interest ownerships, working interest positions, and I provide due diligence in the administration of lease and well activity and oversight of all fiduciary responsibilities and requirements.

6. I presently serve as Managing General Partner of Las Animas Minerals Ltd. and Prairie Minerals, Ltd. The two partnership entities collectively hold title to 205,000 gross severed mineral acres across eight counties in southeast Colorado.

7. I am currently engaged with Lucian Morrison & Associates to deliver mineral management expertise. Mineral assets under management consist of approximately 815,000 gross mineral acres in Texas, Colorado, Louisiana and Oklahoma. Managed acreage in the Eagle Ford trend consists of approximately 300,000 acres. Our driving principle is to promote, maximize and sustain the value of our clients' mineral ownerships. To consistently deliver, we have established controls to evaluate market trends and transaction risk to negotiate prudent deal

terms. In the development of a lease, we seek legal and industry expertise prior to encumbering the mineral estate under terms of legally binding documents. We actively monitor compliance to leases and contracts to identify violations and non-productive leasehold acreage to pursue Lessor right to reverter or pursue alternate outcomes to ensure mineral interest value is protected. As fiduciary, we manage oil and gas accounting, conduct royalty and production audits and continuous operational and financial reviews to ensure mineral interest rights are protected and values are commensurate to the terms of the lease.

8. I have been engaged by the Plaintiffs in this case as an expert witness relating to the claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. As described in the Plaintiffs' Fourth Amended Petition, claims have been raised therein affecting the management of oil and gas on the properties at issue. I am being compensated at the rate of \$385 per hour for examination of materials produced, consulting with counsel, preparation of a report and any supplemental reports(s) thereto and testimony both by deposition and at trial.

9. My observations and conclusions are based upon my examination of the documents that have been subject to discovery in this case. Discovery is not complete in this case (see Attachment 1); therefore, I reserve the right to review all additional discovery and the depositions of witnesses to modify, amplify or add to the conclusions arising out of the matters discussed herein.

OVERVIEW

10. Based on review of the historical management of the South Texas Syndicate Trust, hereinafter referred to as "STS," JPMorgan Chase Bank, N.A., the Defendant failed to

have the proper mineral management policies and procedures in place to prudently manage the mineral estate asset held in trust. The breach of fiduciary duty identified occurred for the period 2006-2012. The breach of prudent management of the mineral estate has been identified under the subject matter of five (5) core components of prudent mineral management: (1) Failure to have in place decision making processes inclusive of a concise hierarchy chain of command with established controls to evaluate transaction risk of the asset and personnel resources possessing the qualification, expertise and time required to maximize the value of the mineral estate; (2) Failure to timely identify lease violations and non-productive leasehold acreage and pursue Lessor right of reverter or other remedies; (3) Failure of mineral management personnel to properly assess market conditions; (4) Failure to seek legal and industry expertise prior to encumbering the mineral estate under terms of legally binding documents; and (5) Failure to conduct production audits.

Mineral Estate History and Statement of Ownership

11. The Washburn Ranch was purchased by Jed L. Washburn et al. in 1906. The conveyance deed(s) transferred ownership of the Fee Simple Estate, (i.e., Surface Estate and Mineral Estate). The Washburn Ranch is located within the confines of La Salle and McMullen counties in the southern region of the state of Texas.

12. The South Texas Syndicate, a Liquidating Trust, was created by Last Will and Testament in 1931 at the death of Jed L. Washburn.ⁱ

13. The Surface Estate of the Washburn Ranch was severed from the Mineral Estate by virtue of six (6) deeds executed on June 5, 1950. Subsequent to the June 5, 1950 conveyances, “STS” held title to the Mineral Estate and water rights.ⁱⁱ

14. In the above described conveyances, there is expressly reserved to the South Texas Syndicate all of the oil, gas and other minerals of every kind and character in the lands conveyed. There is expressly included within both reservations in favor of the grantor, its successors and assigns, the right of ingress and egress at all times for the purpose of investigating, prospecting, drilling and mining for oil, gas and gaseous substances, together with the right to lay pipelines and build roads.ⁱⁱⁱ

The Trustee Succession is as Follows

15. “The Alamo National Bank - Mbank Alamo, National Association - MTrust Corp., National Association - Ameritrust Texas National Association - Texas Commerce Trust Company National Association- Chase Bank of Texas National Association. The Alamo National Bank changed its name to MBank Alamo, National Association on October 15, 1984. Effective January 1, 1988, pursuant to Vernon's Ann. Civ. St. Article 548(h), MTrust Corp., National Association was substituted for MBank Alamo, National Association as the named fiduciary in virtually all of the MBank Alamo, National Association's fiduciary accounts. MTrust Corp., National Association changed its name to Ameritrust Texas National Association on February 27, 1990. Ameritrust Texas National Association changed its name to Texas Commerce Trust Company, National Association on September 15, 1993. Texas Commerce Trust Company, National Association merged into Texas Commerce Bank, National Association on December 17, 1993. Texas Commerce Bank, National Association changed its name to Chase Bank of Texas, National Association on January 20, 1998.”^{iv} JPMorgan Chase Bank, National Association, hereby certify that on August 1, 2000, Chase Bank of Texas, National Association merged into The Chase Manhattan Bank. JPMorgan Chase Bank, National Association, hereby certify that on November 10, 2001, The Chase Manhattan Bank and Morgan

Guaranty Trust Company of New York merged with the resulting bank named JPMorgan Chase Bank. JPMorgan Chase Bank, National Association, hereby certify that effective November 12, 2004, JPMorgan Chase Bank converted its charter from a New York State-chartered bank to a national banking association doing business under the title of JPMorgan Chase Bank, National Association.”^v

16. It should be noted, there are no legal proceedings or other documents transferring the trusteeship of “STS” from Alamo National Bank through all of the various financial institutions listed above into Chase Bank of Texas, N.A. It is further unclear whether the name changes and/or corporate mergers of the financial institutions necessitate the separate consent of each beneficiary, actual conveyances and/or court approval.

17. The following amended language was added to the terms of the South Texas Syndicate Trust by virtue of the Final Decree in Bexar District Court Cause No. F-62,656:^{vi}

“In case of our resignation or removal, we agree to convey all of the then existing Trust property to such successor as the beneficiaries, or the court in which proceedings may be had for the appointment of a successor, shall appoint.”^{vii}

18. South Texas Syndicate (the Trust) holds title to mineral interests in approximately 132,000 acres located in Texas. All net revenue from oil and gas leases is distributable to the recorded beneficial owners of the 30,000 trust shares issued.^{viii}

19. The Trust's revenue is dependent on the development and production of oil and gas from its leases in two South Texas counties. These products are subject to depletion over their useful lives. Currently, the Trust derives 100% of its gross revenue from the leasing of its mineral interests, and the production and subsequent sale of oil and gas products.^{ix}

20. The Trust uses the cash basis of accounting for financial reporting purposes. Consequently, certain revenue is recognized when received rather than when earned and certain

expenses are recognized when paid rather than when an obligation is incurred. The Trust has no basis in the minerals and, therefore, cost depletion is not applicable.^x

21. The Trust allocates all taxable income to each beneficiary. Therefore, all income tax is paid by the beneficiaries based on their proportionate trust interests.^{xi}

Pioneer/Cullen Lease A & B ~15,797 acres – 12.5% Royalty

22. **Cullen Lease A** was entered into on January 20, 1940, by John T. Pearson, Trustee of “STS”, as Lessor and H.R. Cullen, as designated Lessee (D045845). The oil and gas lease covered lands in La Salle County, Texas containing ~ 7,954.69 acres. The lease provision states, “After the discovery and production of oil in paying quantities, Lessee agrees to proceed with all reasonable diligence to develop the premises for oil and to produce and market the same. The diligence required is such diligence as would be exercised by a reasonably prudent operator under the circumstances, having regard to the interest both of the Lessor and the Lessee.” The Railroad Commission P-17 Permit filed February 16, 1999 indicates four (4) producing wells from Cullen Lease A. No drilling permits were issued for Lease A from November 18, 1997 through November 15, 2005, an eight (8) year period.

23. **Cullen Lease B** was entered into on January 20, 1940, by John T. Pearson, Trustee of “STS”, as Lessor and H.R. Cullen, as designated Lessee (D045845). The oil and gas lease covered lands in La Salle County, Texas containing ~7,954.69 acres. The lease provision states, “After the discovery and production of oil in paying quantities, Lessee agrees to proceed with all reasonable diligence to develop the premises for oil and to produce and market the same. The diligence required is such diligence as would be exercised by a reasonably prudent operator under the circumstances, having regard to the interest both of the Lessor and the Lessee.” The Railroad Commission P-17 Permit filed February 16, 1999 indicates two (2) producing wells

from Cullen Lease B. No permits were issued for Lease B from November 16, 2005 through December 31, 2012 and no new well(s) drilled during this seven (7) year period.

24. The primary lease term expired 60 to 70 years ago. A prudent mineral manager would have terminated the Cullen Lease A prior to 2005, and Cullen Lease B prior to 2007 as a result of failure to develop the acreage as provided in the lease(s). Approximately 13,927 acres should have been released by the Lessee.

Hunt Leases ~10,373 acres

25. The Defendant entered into certain oil and gas leases known as the Hunt Leases. The acreage was leased by means of four (4) individual leases; Hunt STS A (2006), Hunt STS A-692 (2006), Hunt STS A-1391 (2006), and Hunt-Broad Oak STS (2007). No wells were drilled in the primary term of the lease(s) which expired in 2008, 2009 and 2010.

Hunt Lease	Acres	Lease Expiration (1)
Hunt STS A	683.48	3/15/2008
Hunt STS A-692	3,094.08	7/25/2009
Hunt STS A-1391	4,224	7/25/2009
Hunt- Broad Oak STS	2,371	2/26/2010
Total	10,373	

(1)Based on Oil & Gas Minerals Lease(s) - No Amendments

26. A prudent mineral manager would not have amended these leases under the amendment terms granted by the Defendant. The Hunt leases should have been relinquished to the lessor based on the terms of the original lease(s).

2008 - Petrohawk Leases ~79,525 acres

27. The Defendant entered into certain oil and gas leases known as the Petrohawk leases during 2008.

Petrohawk Lease	Lease Date	Term/ Years	Acres	Royalty	Pooling	Bonus / Per Acre
STS West	5/27/2008	2	12,073.48	25%	No	\$150
STS B	5/27/2008	3	12,772.93	25%	No	\$175
STS C	7/16/2008	3	16,903.43	25%	No	\$200
STS A	12/12/2008	5	18,473.04	25%	Yes	\$200
STS D	12/12/2008	5	15,456.66	25%	Yes	\$200
STS North	12/12/2008	5	3,845.31	25%	Yes	\$200

28. The “STS” Mineral Estate is unique as it is contiguous, held under centralized control and management and nearly the size of New York City. ‘STS’ is often referred to as a “Gem” given that many large mineral estates within the U.S. have been divided and sold resulting in smaller parcels with decentralized management and control.

29. At the time the leases were under consideration, Petrohawk was known to be focused on shale development. Shale Plays have created a so called “Land-Grab”, whereas competing oil and gas companies drive the consideration (bonus, royalty and lease terms) to the Mineral Estate owner exponentially higher as the play develops. A prudent mineral manager would consider the risk involved in leasing large blocks of land and protect against potential value loss in terms of bonus payment and other factors that affect the Mineral Estate value subject to the lease. Prior to the May 27, 2008 leases, numerous shale discoveries had occurred within the United States. A prudent mineral manager would consider market and economic trends and review transaction data on recent shale plays to develop a relative measurement of potential mineral interest value.

30. The following excerpt is taken from Hart - Oil & Gas Investor, June 2010, Eagle Ford Joins Shale Boom - Key Players by Don Lyle:

“For comparison, Petrohawk’s average leasehold cost in the Haynesville Shale was \$5,000 per acre with an average estimated ultimate recovery of 7.5 Bcfge per well. Petrohawk's average leasehold cost in the Eagle Ford was \$400 per acre with a 90% average working interest, average estimated ultimate recovery of 5 Bcfge to 6 Bcfge per well.”

31. In my opinion, given Petrohawk's success in previous shale plays, it would be prudent for a mineral manager to grant the May 27, 2008 leases to Petrohawk for its exploratory program subsequent to a review from a geologist, industry experts and legal counsel. The May 27, 2008 leases contained a cumulative 24,846.41 acres or about 31% of the available unleased mineral estate. However, the May 27, 2008 leases should have been modified to include a most favored nations clause, two (2) year primary term, 90 day continuous drilling clause and a maximum of 2,500 acres per lease. The bonus paid per acre for the West Lease and B Lease were \$150 and \$175, respectively which is considered reasonable given the 2007 STS Whittier option agreement provided a bonus of \$225 per acre. The sheer presence of Petrohawk on “STS” would undoubtedly increase interest in the balance of “STS” acreage available to the market.

32. Less than a month after the leases were executed, on June 19, 2008, First Rock, Inc. permitted the STS 241-1H on the West Lease. According to numerous published reports, Petrohawk used First Rock, Inc. to permit the well in an effort to deter competition which increases the compensation required to obtain mineral leases. A prudent mineral manager would immediately understand the importance Petrohawk placed on “STS” acreage in their development plans for the Eagle Ford, given the cost of horizontal drilling and logistics. The fact that Petrohawk was drilling the first horizontal well on “STS” should have sent shockwaves through the Defendants' Trust department and heightened enthusiasm to the Beneficiaries.

33. In my opinion, a prudent mineral manager would not have leased additional “STS” acreage after May 27, 2008 given that a significant portion of the “STS” acreage was encumbered by lease obligations. The Defendant's action to lease the balance of “STS” acreage in 2008 constituted an unfounded position that the Petrohawk wildcat play would prove uneconomic. A prudent mineral manager would continue to monitor drilling and completion reports prior to committing any additional acreage at pre-discovery consideration.

34. Petrohawk permitted the Dora Martin 1H and Donnell 1H on September 5, 2008 and November 22, 2008, respectively. These two (2) wells are located to the southwest and northeast of “STS.” Petrohawk announced the successful completion of the wildcat STS 241-1H on October 20, 2008. The Dora Martin 1H and Donnell 1H were successfully completed in the 1st quarter of 2009 which suggested a majority of the STS lands would be in the fairway.

35. A prudent mineral manager would evaluate the entire “STS” mineral estate post-discovery. This process would include consultation with legal counsel and industry experts to establish a leasing development plan for the acreage not encumbered by a valid lease.

36. A prudent mineral manager would offer the remaining acreage in segments similar to dollar cost averaging to mitigate risk to the value of the Mineral Estate. Based on historical data, it is reasonable to assume a prudent mineral manager would release additional acreage to the market through a competitive bid process subject to the lease terms outlined for the May 27, 2008 lease(s) in the 3rd quarter of 2009 and 2nd quarter of 2010.

37. In my opinion, the Defendant failed to have in place decision making processes inclusive of a concise hierarchy chain of command with established controls to evaluate transaction risk respective of the May 27, 2008 lease(s), July 16, 2008 lease and December 12, 2008 lease(s).

38. Prior to the Eagle Ford discovery, the South Texas Syndicate was often referred to as a "Gem" or "White Elephant". A 132,000 contiguous Mineral Estate with water rights, favorable surface development rights and centralized control and management is very rare. The foresight of the original owners to release personal control and place this property in trust is just as rare. The fact that this asset was mismanaged and allowed to be leased at pre-discovery consideration is a travesty of trust.

39. Attached to my affidavit are true and correct copies of documents referenced herein.

ⁱ D0055430, Mineral Estate History and Statement of Ownership

ⁱⁱ 0014447, Mineral Estate History and Statement of Ownership

ⁱⁱⁱ Excerpt, South Texas Syndicate Described Conveyances

^{iv} Excerpt, Trustee Succession - DO14456

^v Excerpt, Trustee Succession - D I 26644

^{vi} Excerpt, Trustee Succession - DO14456

^{vii} Excerpt, Trustee Succession - DO I 4456

^{viii} Excerpt- D053529

^{ix} Excerpt- D053529

^x Excerpt- D053529

^{xi} Excerpt- D053529

FURTHER AFFIANT SAYETH NOT.

Robert E. Lee, III

Subscribed and sworn to before me, the undersigned notary public, on ^{February} ~~March~~ 27, 2014.



Notary Public in and for the State of Texas

My commission expires:

1-27-16

TAB 4

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

v.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF CHARLES E. GRAHAM, III

STATE OF TEXAS §
§
COUNTY OF DALLAS §

On this day before me personally appeared Charles E. Graham, III, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness. The documents referenced herein have been provided to Defendants. Copies of certain of the documents are in the Appendix or attached hereto.

2. This affidavit contains my expert opinions related to the Plaintiffs' claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The Plaintiffs have alleged that the mismanagement resulted in below market oil and gas lease transactions with Petrohawk Properties, LP and others on certain mineral rights

administered by the Trust Department of JPMorgan Chase Bank, N.A. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the “STS Beneficiaries”) against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate, a liquidating trust, and Gary P. Aymes (collectively referred to herein as “JPMorgan”). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the hereinafter- identified mineral interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the “South Texas Syndicate Trust”). My opinions on damages that result from JPMorgan’s failure to properly manage the minerals of the South Texas Syndicate Trust are included in my report. At trial, I expect to testify as an expert witness and express opinions related to the Plaintiffs’ maladministration claims in this matter. Furthermore, I plan to sponsor exhibits, related to those opinions, which depict the dollar damages sustained by the STS Beneficiaries that result from the mismanagement of oil and gas mineral rights related to the Eagle Ford Shale formation under the hereinafter-identified parts of the *Washburn Ranch*. I also expect to assist the court and jury by offering opinions on various technical matters that bear on the claims asserted by the Plaintiffs against JPMorgan.

Qualifications and Experience

3. I am the President of Charles E. Graham, III & Associates, Inc.
4. I received my undergraduate degree in petroleum engineering from the University of Texas at Austin. I have also completed continuing education courses on the interpretation of terms that generally appear in oil and gas leases, negotiation of oil and gas lease provisions, royalty payment requirements, administration of oil and gas leases, and other industry courses taught by service companies, major oil companies, and legal associations on all aspects of the oil and gas business.

5. I am a Registered Professional Engineer in the State of Texas, and I am a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

6. Following my graduation from the University of Texas at Austin, I worked as a petroleum engineer for Mobil Oil Corporation in Corpus Christi, Texas. During my tenure at Mobil Oil Corporation, my occupational duties included responsibility for production from Mobil operated oil and gas wells located in Nueces and San Patricio Counties, Texas.

7. In 1974, Dynamic Production, Inc. of Fort Worth, Texas, an independent oil and gas company, employed me. As the Vice President and general manager, I was ultimately responsible for drilling, completion and production of approximately 400 wells located primarily in Texas. I negotiated oil and gas leases and related agreements, and then administered the leases, agreements, and contracts. I was responsible for the marketing of residue gas, crude oil, condensate and natural gas liquids, produced and sold by Dynamic. I also negotiated, and then executed contracts and agreements related to production, gathering, dehydrating, compressing, treating, processing and transportation of various hydrocarbon products. I managed non-operated working interests in another 300 wells located in Texas, Louisiana, Oklahoma and New Mexico.

8. In 1987, I founded Charles E. Graham, III & Associates, Inc., a professional consulting petroleum and engineering firm providing a wide variety of services to clients, the petroleum industry and its associations including: trend / reservoir / field / lease studies, reserve estimates, projection of future production rates, economic valuations, appraisals, fair market value determinations of both producing and non-producing property interests, contract evaluations, engineering representation before oil and gas regulatory agencies, expert witness support and testimony in cases regarding a variety of oil and gas issues, strategic planning for

leasehold development, due diligence, audits, oil and gas lease assessments, and hydrocarbon measurement practices. I continue to provide clients, both mineral owners and oil companies, with consultation on various provisions in oil and gas leases and related agreements. Furthermore, my resume is attached to my report as Exhibit “A-1.” A summary of the cases that I have either given a deposition or testified at trial during the past four years is attached to my report as Exhibit “A-2.”

Material Examined in this Study

9. I have reviewed all of the materials listed on Exhibit “B,” attached to my report, and I have made a technical study of the Eagle Ford Shale trend and analogous unconventional shale plays. Engineering and geological data related to the discovery and chronological development of hydrocarbon reserves in the Eagle Ford Shale formation underlying parts of South Texas was acquired from the technical sources listed on Exhibit “B” and studied. I have relied on my experience with oil and gas lease transactions, and work within unconventional shale plays. I have analyzed documents produced by JPMorgan and others in this matter. Depositions taken by the Plaintiffs’ legal representatives were also reviewed. The materials I have examined in this matter are listed on Exhibit “B” attached to my Expert Witness Report.

Overview of Opinions

10. In my opinion, JPMorgan should not have granted the oil and gas leases on minerals under certain parts of the *Washburn Ranch* to Petrohawk Properties, LP in July 2008 and December 2008. After May 27, 2008, there was no valid business purpose for JPMorgan to agree to noncompetitive oil and gas lease offers for the remaining unleased minerals under the *Washburn Ranch*. Furthermore, the actual terms and provisions in the two May 27, 2008 Oil and Gas Leases to Petrohawk Properties, LP did not even reflect the historical practices of JPMorgan during its administration of unleased minerals owned by the South Texas Syndicate Trust. For

example, in the summer of 2007, JPMorgan agreed to lease certain minerals under the *Washburn Ranch*, for a bonus of \$225.00 per acre, in separate oil and leases, each with a two year primary term, that would cover a maximum of 2,500 acres each (actual provisions in the Geophysical and Lease Option Agreement dated June 13, 2007 with Whittier Energy Company, et al.).

11. After May 27, 2008, Petrohawk Properties, LP paid JPMorgan \$200.00 per acre as bonus for leases on certain minerals, owned by the South Texas Syndicate Trust, in 54,678.44 acres under the *Washburn Ranch* situated within La Salle and McMullen counties. It has never been a prudent business practice to grant oil and gas leases without the exercise of due diligence and the implementation of processes that foster competition. The diminutive amounts received after May 27, 2008 for oil and gas leases on minerals under the *Washburn Ranch* by JPMorgan result from mismanagement of the property interests owned by the South Texas Syndicate Trust. Furthermore, JPMorgan should have secured partial releases of minerals under the 1940 H.R. Cullen STS Oil and Gas Leases before discovery of commercial hydrocarbon reserves in the Eagle Ford Shale formation and should not have extended the primary terms of certain oil and gas (Hunt Oil / Broad Oak / Texas Lone Star) leases granted in 2006 and 2007. Failure to secure releases and the arbitrary extensions of primary terms have resulted in the loss of substantial bonuses and the opportunity to upgrade outdated oil and gas lease provisions to reflect the market after the Eagle Ford Shale discovery and the subsequent expansions of the new shale play beyond the *Washburn Ranch*.

12. In my opinion, the STS Beneficiaries have suffered substantial dollar damages as the direct result of JPMorgan's failure to lease oil and gas mineral rights in the Eagle Ford Shale formation and other formations under the *Washburn Ranch* after due diligence and through competitive bid processes. The mistakes and errors by JPMorgan in the administration of certain

mineral interests, owned by the South Texas Syndicate Trust, that have caused monetary damages to the STS Beneficiaries include, but are not limited to, the following:

- a. failure to employ, consult with or involve knowledgeable attorneys, landmen, geologists, geophysicists, petrophysicists and engineers with experience in shale plays;
- b. failure to study analogous shale plays or consult with others that have made those studies;
- c. failure to study the Eagle Ford Shale trend or consult with others that have made those studies;
- d. failure to study the Eagle Ford Shale formation under the *Washburn Ranch* or employ others to conduct such a study;
- e. failure to pursue and secure partial releases of oil and gas mineral rights under certain tracts, held or previously held by production, within the *Washburn Ranch* or employ others to obtain the releases;
- f. failure to identify the companies, financially capable, with experience in developing the Eagle Ford Shale or analogous shale resources, and involve them in a competitive process for unleased minerals;
- g. failure to recognize the negative impact on the value of the minerals under its control by leasing certain mineral interests without any understanding of the potential value and its negative effect on the ability to secure market oil and gas lease terms;
- h. failure to prepare, or have prepared, oil and gas leases that reflect market terms and provisions for certain minerals under the *Washburn Ranch*;
- i. failure to prepare, or have prepared, surface use agreements or similar agreements that reflect market terms and provisions for sales of fresh water to lessees of minerals under the *Washburn Ranch*; and
- j. failure to employ or retain others to employ a competitive process to identify the market value of oil and gas mineral rights in the Eagle Ford Shale under the *Washburn Ranch*.

13. Based on my work in this matter, it is apparent that JPMorgan failed to investigate, study, and explore the market for unleased minerals within the Eagle Ford Shale formation, generally and under the *Washburn Ranch*, specifically.

14. In my opinion, the dollar damages sustained by the STS Beneficiaries would reflect the bonuses, lost royalty and fair market value, and other monetary benefits achieved through competitive leasing, after adequate due diligence, had JPMorgan properly managed the minerals and acted in the best interest of the STS Beneficiaries, less the monetary considerations actually derived from the existing oil and gas leases, and fees, if any, directly attributable to an oil and gas lease that resulted the proper administration of unleased minerals owned by the South Texas Syndicate Trust. Furthermore, JPMorgan should have secured partial releases that would include the oil and gas rights within the Eagle Ford Shale formation under other parts of the *Washburn Ranch*. In my opinion, the dollar damages suffered by the STS Beneficiaries would also reflect the bonuses, lost royalty and fair market value, and other monetary benefits achieved through competitive leasing, after adequate due diligence, had JPMorgan properly managed the minerals by securing partial releases that would have included the Eagle Ford Shale from certain oil and gas leases in existence before May 27, 2008, less the fees, if any, directly attributable to an oil and gas lease that resulted the proper administration of unleased minerals owned by the South Texas Syndicate Trust.

15. In my opinion, JPMorgan has failed to exercise good judgment when it continued to lease minerals, owned by the South Texas Syndicate Trust, after the May 27, 2008 Oil and Gas Leases to Petrohawk Properties, LP. In fact, JPMorgan had leased, or committed to lease, all of the minerals under the *Washburn Ranch* by the end of 2008. With the proprietary knowledge that Petrohawk Energy Corporation was interested in pursuing a horizontal test well under the western part of the *Washburn Ranch*, nevertheless, JPMorgan continued to lease minerals for diminutive bonus amounts. Furthermore, with the knowledge that Petrohawk discovered the Hawkville (Eagleford Shale) Field on the completion of a gas well located on the

Washburn Ranch, JPMorgan continued to lease minerals for miniscule bonus amounts. In fact, all of the lease transactions with Petrohawk after May 27, 2008 resulted in substantially below market bonuses and inferior oil and gas lease provisions. JPMorgan exercised bad judgment to proceed with additional transactions on unleased minerals without the proper exercise of due diligence. Had JPMorgan properly managed the mineral assets of the South Texas Syndicate Trust through the exercise of due diligence, the values of the minerals leased after May 27, 2008 would have been substantially greater and yielded hundreds of millions of dollars to the STS Beneficiaries. In fact, the appropriate due diligence process would have led the Trustee, JPMorgan, to lease approximately 37,500 acres and 41,400 acres of the hereinafter-identified minerals, owned by the South Texas Syndicate Trust under the *Washburn Ranch*, in November 2009 and June 2010, respectively.

South Texas Syndicate Trust's *Washburn Ranch*

16. In 1906, Mr. Jed L. Washburn and others bought the *Washburn Ranch*, approximately 132,000 contiguous acres of land, located in La Salle and McMullen counties (referred to herein as the "*Washburn Ranch*"). The South Texas Syndicate Trust was formed after Mr. Washburn died in 1931. In 1950, the surface of the *Washburn Ranch* was sold. The minerals and other rights were reserved in the following deeds that covered the surface of the *Washburn Ranch*:

<u>Date</u>	<u>Grantee</u>	<u>Acres</u>
June 5, 1950	G.A. Lowrance	35,860.20
June 5, 1950	A.B. Alexander	11,810.88
June 5, 1950	D.C. Kenley, et al.	24,664.39
June 5, 1950	Olmitos Ranch, Inc.	44,937.93
June 5, 1950	C.L. Brown	6,020.96
June 5, 1950	G.A. Lowrance	8,961.71

17. In the foregoing deeds, the South Texas Syndicate Trust also reserved the water from any well drilled by a lessee of any oil and gas lease that covered minerals under the *Washburn Ranch*. Said reservation was applicable to the mineral fee of the South Texas Syndicate Trust.

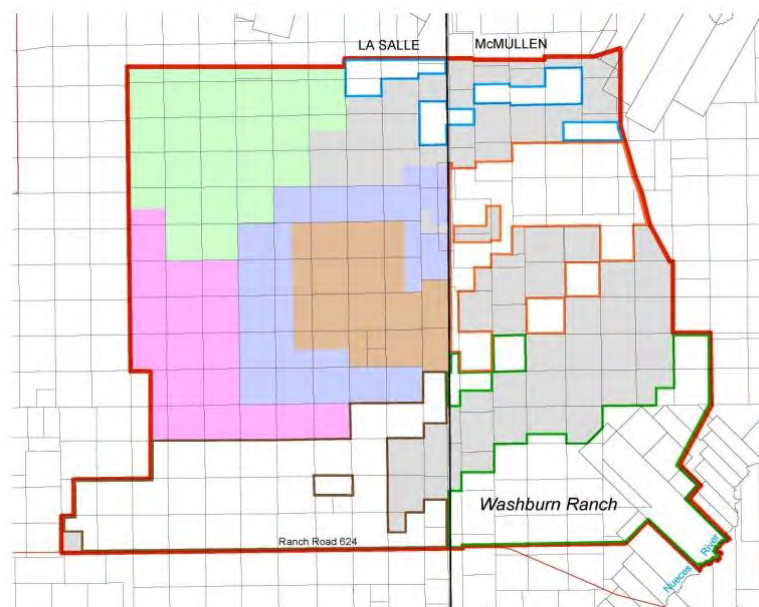
18. The Alamo National Bank was appointed Successor Trustee of the South Texas Syndicate Trust on February 12, 1951 by order of the 73rd Judicial District Court in Bexar County, Texas. Later, the South Texas Syndicate Trust was determined to be a liquidating trust. JPMorgan and its predecessor banks have acted as Successor Trustee since that date.

19. During the relevant period of Plaintiffs' complaint, JPMorgan Chase Bank, N.A., as Trustee of the South Texas Syndicate, a liquidating trust, managed approximately 131,904.02 acres of minerals, located under the *Washburn Ranch*. Approximately 60% of the minerals (78,136.57 acres) are located in La Salle County and 40% of the minerals (53,767.45 acres) are located in McMullen County.

20. After JPMorgan made the May 27, 2008 STS West Oil and Gas Lease and the May 27, 2008 STS East Oil and Gas Lease with Petrohawk Properties, LP, only the minerals under approximately 50% of the *Washburn Ranch* remained unleased or free from options to lease. Given the uncertainty of the future value of the unencumbered minerals due to the unknown results, at the time, from Petrohawk Energy Corporation's drilling under a small part of its 24,846.41 leased acres of the *Washburn Ranch*, JPMorgan should not have made any additional oil and gas leases, options to lease, oil and gas lease amendments, or ratifications of any existing oil and gas leases until the value of the remaining unleased minerals could be ascertained through the due diligence process. Technical due diligence should have been timely performed to further evaluate the Eagle Ford Shale potential under the unleased portions of the

Washburn Ranch. Had JPMorgan not extended the primary terms of the Hunt Oil/ Broad Oak / Texas Lone Star STS Leases in July 2009, an additional 8% of the minerals under the *Washburn Ranch* would have been available to lease after adequate due diligence was complete.

21. I have prepared a map of the *Washburn Ranch* to represent JPMorgan's view of the leased minerals at May 27, 2008. The *Washburn Ranch* has been outlined in "red". The area covered by the 1940 H.R. Cullen STS Oil and Gas Leases is colored "light green" on the map. The "gray" colored areas represent various oil and gas leases that existed before May 27, 2008. The May 27, 2008 STS West Oil and Gas Lease and May 27, 2008 STS East Oil and Gas Lease to Petrohawk Properties, LP are colored "light magenta" and "light blue", respectively. Finally, the area shaded "light brown" represents the location of the acreage included in the Geophysical and Lease Option Agreement dated June 13, 2007. The white areas within the "red" outlined *Washburn Ranch* are notional depictions of unleased minerals after JPMorgan made two leases on approximately 25,000 mineral acres at May 27, 2008. The map of the *Washburn Ranch* follows:



22. When JPMorgan executed two oil and gas leases to Petrohawk Properties, LP on May 27, 2008, significant portions of the minerals, owned by the South Texas Syndicate Trust, were already leased (held by production or within the primary term) or under options to lease. Significant portions (approximately 13,927 acres) of the 1940 H.R. Cullen STS Oil and Gas Leases should have been released prior to May 27, 2008. The gray area (approximately 10,372 acres) in the northeastern part of the Washburn Ranch represents the Hunt Oil / Broad Oak / Texas Lone Star STS Leases

Eagle Ford Shale

23. The economic potential of the play within the Eagle Ford Shale formation was inconspicuous at first. In fact, Petrohawk Energy Corporation (referred to herein as “Petrohawk”) used First Rock, Inc. (referred to herein as “First Rock”) to acquire oil and gas leases within the potential trend to avoid having to compete with other oil companies for mineral rights. Competition would have driven bonuses significantly above the historical conventional prospect rates for wildcat acreage. Furthermore, the mineral owners in the trend would have realized earlier that Petrohawk had identified another potentially productive unconventional resource shale play. The secret effort conducted during 2008, led by geologist Gregg Robertson (President of First Rock, Inc.), a friend of Richard K. Stoneburner (Chief Operating Officer of Petrohawk Energy Corporation), resulted in oil and gas leases on 150,000 acres of minerals in the soon to be discovered Eagle Ford Shale play. Gregg Robertson was indispensable to Petrohawk in the acquisition of oil and gas leases without tipping off the competition. The stealth operation continued after the discovery well was drilled under the operator name of First Rock on the *Washburn Ranch*. According to Gregg Robertson, the bonus prices for oil and gas leases jumped to \$475.00 per acre after Petrohawk publically announced the test results from the discovery well, STS No. 1, in the Eagle Ford Shale formation. Prior to the significant discovery

announcement in October 2008, oil and gas leases in La Salle and McMullen counties were generally acquired for \$225.00 per acre.

24. Obviously, JPMorgan knew that Petrohawk was acquiring oil and gas leases under a part of the *Washburn Ranch*. In fact, JPMorgan, acting in its capacity as Trustee of the South Texas Syndicate, a liquidating trust, executed two oil and gas leases with an affiliate, Petrohawk Properties, LP. The two oil and gas leases, both leases dated May 27, 2008, covered 44 tracts of land, an aggregate total of 24,846.4075 acres of minerals, in the *Washburn Ranch*. JPMorgan knew before Petrohawk's competitors that Petrohawk was acquiring oil and gas leases in La Salle County. JPMorgan also knew that First Rock, on behalf of Petrohawk Properties, LP, planned to drill horizontally into an unidentified formation in an undiscovered "wildcat" field at a specific location on the *Washburn Ranch*. Despite an early understanding of the activities planned, and then conducted by Petrohawk and First Rock on the *Washburn Ranch*, JPMorgan continued to transact with Petrohawk, after May 27, 2008, as though nothing significant had happened or would ever happen. Failure to recognize through due diligence the potential, positive financial impact on the STS Beneficiaries that could result from the interest of different oil companies in the oil and gas rights under the *Washburn Ranch* has caused substantial damages to the Plaintiffs.

25. If JPMorgan had timely exercised due diligence, the results would have been reflected in all subsequent transactions related to the Eagle Ford Shale after May 27, 2008 with Petrohawk or other oil companies.

26. In fact, the well drilled on the Petrohawk STS West Lease was the first horizontal well ever drilled under the *Washburn Ranch*. Had JPMorgan timely exercised its right to

technical data on the discovery well for the Eagle Ford Shale, due diligence would have revealed that the *Washburn Ranch* was located within the new Eagle Ford Shale play.

27. On October 20, 2008, Petrohawk announced a significant new natural gas field discovery in the Eagle Ford Shale formation. This new field discovery was located immediately south of the Stuart City Field, which is on the Edwards Reef Trend that extends across South Texas. The discovery well for the Hawkville Field was located in La Salle County. In fact, the discovery well was located on the *Washburn Ranch*. The STS No. 1 was drilled to an approximate true vertical depth of 11,300 feet during which extensive coring and open hole logging was performed inside a pilot hole. A vertical pilot hole is normally drilled through the prospective reservoir to effectively define the reservoir depth and thickness prior to drilling the horizontal section. Petrohawk drilled a 3,200-foot horizontal lateral from the pilot hole into the Eagle Ford Shale formation and subsequently fracture stimulated the penetrated interval with over two million pounds of sand in ten stages. Reports indicated that the STS No. 1 was placed on production in October 2008 at a rate of 7.6 million cubic feet of natural gas per day and 250 barrels of condensate per day.

28. This significant discovery was responsible for the emphasis on leasing of mineral interests within the newly discovered Eagle Ford Shale resource trend. Resource plays are basically hydrocarbon systems where the source and the reservoir are the same rock formation. These source-reservoir formations are generally continuous and represent areas of organic matter preservation as reflected in organic richness. In a conventional system, the source rock generates the crude oil and natural gas that ultimately migrate from the source rock into a reservoir rock. Operators have historically recovered crude oil and natural gas from only the reservoir rock. In

the case of an unconventional resource shale play, operators now recover crude oil and natural gas from the source rock itself.

29. The primary differences between modern developments of hydrocarbons held within shale or stored within conventional reservoirs are the extensive uses of horizontal drilling and high-volume hydraulic fracturing. A key element in the emergence of shale hydrocarbon production has been the refinement of cost-effective horizontal drilling and hydraulic fracturing technologies. Horizontal drilling provides more exposure to a formation than does a vertical well. The other technological key to the economic recovery of crude oil and natural gas from shale is hydraulic fracturing, which involves the pumping of a fracturing fluid under high pressure into a shale formation to generate fractures or cracks in the target rock formation. This allows the crude oil and natural gas to flow out of the shale to the well in economic quantities. The mass appeal of recovering crude oil and natural gas from unconventional resources has led to the discovery and continued development of the Eagle Ford Shale resource in South Texas.

30. The Eagle Ford Shale is a Cretaceous age, organic rich formation, which underlies several counties in South Texas. The Eagle Ford Shale is located stratigraphically above the Buda Limestone and below the Austin Chalk. Thickness of the calcareous Eagle Ford Shale is approximately 250 feet. The Eagle Ford Shale has long been seen as a major petroleum source, principally for the Austin Chalk, the underlying Buda and for shallower Cretaceous and Tertiary horizons, but after October 2008, it became a reservoir target of its own. Had JPMorgan conducted a study of the *Washburn Ranch* and the Eagle Ford Shale play, the due diligence would have revealed that all of the *Washburn Ranch* was located within the trend.

Haynesville Shale

31. The Eagle Ford Shale trend has been historically identified as an analog to the Haynesville Shale. In my opinion, JPMorgan should have made a study of trade journals and general circulation publications that reported on the activity within the Haynesville Shale trend. Particularly, the immediate rise in bonuses paid for mineral rights within the Haynesville Shale trend after discovery.

32. On May 6, 2008, Steve Toon, staff editor for the *Oil and Gas Investor*, described Petrohawk's activity within the unconventional resource play in northwest Louisiana in an article titled "Grabbing For Haynesville: Petrohawk, Chesapeake Battle For Acres". Excerpts from this article follow:

Nigh two months after the word "Haynesville" went public, discoverer Chesapeake Energy and challenger Petrohawk Energy are in a battle royale for mineral rights in the once-secret shale play in northwestern Louisiana and East Texas.

On Friday, Chesapeake shouted that it has amassed an additional 100,000 acres in the play since mid-March when it first announced the discovery..., and now holds upward of 300,000 acres with a goal of 500,000. "Our land acquisition machine rolls on," states Chesapeake CEO Aubrey McClendon. Today, Petrohawk punched back, stating that it now holds commitments for 150,000 acres, up from 70,000 in early April, with a goal of 400,000.

If you own a front porch in the neighborhood, brew up a pitcher of iced tea and expect smiling visitors. Feel free to rock and chat awhile, as the price per acre goes up by the minute.

McClendon says the acreage values have escalated "dramatically" in the past couple of months, "and so we have the option of either dropping out or to continue in the play. We think it makes sense to continue." He says Chesapeake is starting out with 300,000 acres in the Haynesville "at a cost basis that will always be very, very substantially below" any basis anyone else can approach. He equates 1,250 drill sites for each 100,000 acres. "Locking down these acreage positions early is very important," he says.

Chesapeake has drilled eight wells to date, with three waiting on completion and all eventually drilled horizontal. “We are very happy with our well results today, but I doubt that our first four horizontal wells are going to be the best four wells we ever drilled in this play,” McClendon says.

Petrohawk has identified the Haynesville as one of its four core operating areas. CEO Floyd Wilson says, “An early mover advantage clearly rests with Petrohawk in the evolving Haynesville shale play. We have begun a significant multi-year investment in this exciting new resource opportunity.”

In fact, Petrohawk increased its planned capital budget for 2008 to \$1.3 billion-up from \$800 million-with \$384 million earmarked for the Haynesville; a total of 30%. Of that, \$150 million is set aside for leasehold acquisitions and the rest for accelerated drilling.

Petrohawk is currently drilling its first horizontal well, a 4,000-foot lateral. A second rig is expected to begin drilling in mid-May with three additional rigs staging in for a total of five to six rigs running by 4Q08 with 10 wells drilled. Petrohawk expects to have gained 2,500 drilling locations in that time.

33. The foregoing article about Petrohawk, a shale play, competition and bonuses, was published three weeks before JPMorgan made the following two oil and gas leases with Petrohawk Properties, LP:

	<u>STS West Lease</u>	<u>STS East Lease</u>
Date	May 27,2008	May 27,2008
Acres	12,073.48	12,772.93
Bonus	\$1,811,021.25	\$2,235,263.19
Bonus \$/Acre	\$150.00/Acre	\$175.00/Acre
Primary Term	2 Years	3 Years

34. On June 2, 2008, a Petrohawk presentation reflects the emphasis on “High Quality Resource Focused Assets” and an increased capital budget from \$800 million to \$1.3 billion (86% allocated to core resource areas). By now, Petrohawk was concentrated on the development of unconventional shale resources. A slide from the presentation follows:



35. On June 19, 2008, First Rock applied to the Railroad Commission of Texas (RRC) for a permit to drill a horizontal well on lands described in the Oil and Gas Lease dated May 27, 2008, by and between the South Texas Syndicate, a liquidating trust, by JPMorgan Chase Bank, N.A., Trustee and Petrohawk Properties, LP. Said lease covered twenty tracts of land; a total of 12,073.475 acres. The permit to drill the STS No. 1 well (API No. 42- 283-32144) to a measured depth of 12,000 feet was issued to First Rock by the RRC on July 9, 2008. The surface location for the horizontal well was located on Tract 9 of the Petrohawk STS West Lease in Survey 98, A-976. The terminus of the STS No. 1 well was located under Tract 6 of the Petrohawk STS West Lease in Survey 83, A-241. The RRC permit (No. 664875) for the First Rock No. 1 STS indicated that the proposed horizontal well would be a wildcat. It was significant that no public disclosure was made with respect to Petrohawk's first horizontal well.

36. On June 20, 2008, Tristone Capital Co. provided an update on the Haynesville Shale play. Excerpts from the *Industry Update* titled "Welcome to Haynesville, Population: 60 Tcf" follow:

Latest Shale Play to Explode onto the Airwaves Could Be amongst the Largest. The Lower Bossier/Haynesville Shale was officially unveiled just three short months ago and could rank amongst the largest North American shale plays based on preliminary estimates. According to Chesapeake Energy (CHK-N, OP), the play “could potentially have a larger impact on the company than any other play in which it has participated to date”...

Stepping Out, Limb Appears to be Thicker than Initially Thought. Since the play first surfaced, we have been reluctant to officially layer in any potential value to our NAVs given the lack of actual well results, drilling economics, and other specific information we typically prefer to have when accessing valuation impact. After a more thorough review, we are now choosing to include this potential. Based on the amount of capital that is being committed to leasehold acquisition and future development, we felt it was important to provide investors with some preliminary guideposts that should help in determining relative exposure and potential valuation impacts for the public companies that are involved in the play.

Current Economics Based on Indicative Type Curves. In my report, we provide numerous sensitivities to before-tax IRRs and F&D costs assuming 3, 6, and 8 bcf EURs, completed well costs ranging from \$5-7 mm, various acreage cost assumptions ranging from \$500-20,000/acre, and four different natural gas price scenarios.

The Value Proposition. Based on our analysis of core NAV plus risked unbooked recoverable resource value (NPV10%BT) in relation to current share prices, we see the best leverage to the Lower Bossier/Haynesville Shale from Petrohawk (HK-N, TP), Goodrich Petroleum (GDP-N, OP) and St. Mary (SM-N, OP). We are taking this opportunity to increase our rating on Chesapeake (CHK-N, OP) to Outperform from Market Perform.

37. A list of the companies, profiled by Tristone Capital in the June 20, 2008 *Industry*

Update related to the Haynesville Shale trend, included:

Anadarko Petroleum
Corporation Cabot Oil and Gas
Corporation Chesapeake Energy
Corporation Comstock
Resources, Inc.
Devon Energy Corporation
El Paso Corporation

EOG Resources, Inc.
Forest Oil
Corporation
Goodrich Petroleum
Corporation Petrohawk Energy
Corporation Shell Western
E&P, Inc.
St. Mary Land & Exploration Company
XTO Energy, Inc.

38. According to the June 20, 2008 *Industry Update*, the lease bonus per net mineral acre “escalated rapidly from \$100-200/acre in January to in excess of \$17,000/acre in June”. A summary of recent public transactions in the Haynesville Shale trend, provided by Tristone Capital Co. as Exhibit 7 in the *Industry Update*, follows:

Buyer	Seller	Location	Date	Transaction Value Sum	Net Acres	\$ Value Per Acre
Goodrich Petroleum	Private	Longwood Field, N. LA	29-May-08	\$32	3,250	\$9,846
Cabot Oil and Gas	Private	Minden Field, E. TX	5-Jun-08	\$181	24,250	\$7,464
Berry Petroleum	Private	Harrison and Limestone Counties, E. TX	10-June-08	\$14	4,500	\$3,056
Chesapeake	Goodrich	Bethany-Longstreet and Longwood Fields, N. LA	16-Jun-08	\$178	10,250	\$17,366

39. An email from Petrohawk to JPMorgan on July 1, 2008 confirmed the need for secrecy, also the need to remain stealth. An excerpt from the July 1, 2008 communication follows:

Also, can we sign^{h.a} a letter of intent again to firm up this deal tomorrow? I’ll be in my office thru Wednesday, leaving for the 4th and returning next Tuesday the 8th. I expect the rig will be on location for the #1 STS-241 this weekend and I need to have some kind of deal with you before the word gets out.

Let me know and I’ll revise the LOI I sent to you 2 weeks ago. Please call me.

Clearly, Petrohawk was concerned that the *word* of a horizontal well located in a historically unproductive area of La Salle County would travel far enough to create interest, if not competition, for unleased minerals under the *Washburn Ranch*. The *word* already got out to

JPMorgan, yet JPMorgan was oblivious to the *word*. Due diligence would have provided JPMorgan with a keen conscious awareness of the significance of Petrohawk's interest in drilling a horizontal well into a not-yet identified formation, located stratigraphically above the Edwards formation, under the *Washburn Ranch*.

40. On July 2, 2008, Mark Hanna, a financial manager, described the rise in Petrohawk's stock related to activity within the unconventional shale resource in an article titled "Petrohawk Energy and Chesapeake Energy Flying on Haynesville Shale News". Excerpts from this article follow:

Shares of Petrohawk Energy Corp. advanced in premarket trading on Wednesday after an analyst hiked his price target on the oil and gas producer, saying its oil fields are increasingly more valuable.

Friedman, Billings, Ramsey analyst Rehan Rashid raised his price target on Petrohawk to \$60 from \$45 in a note to investors early Wednesday. The new target represents a 25 percent rate of return on the stock over Tuesday's close of \$48.

Rashid said the recent purchase by Plains Exploration & Production Co. of a portion of land owned by Chesapeake Energy Corp. in northwest Louisiana implies Petrohawk's portion of the same oil field is more valuable than originally expected.

Late Tuesday, Chesapeake said Plains agreed to buy 110,000 acres of its Haynesville Shale tract in northwest Louisiana. By Rashid's calculation, that purchase came to a price tag of \$25,600 per acre.

Based on the transaction, he says Petrohawk's own share of Haynesville Shale can now be assumed to be worth \$7.4 billion, which in turn makes Petrohawk stock significantly more valuable.

Rashid said many oil companies with a presence at Haynesville Shale have seen their shares climb sharply in recent months as companies seek to buy up the land, and reiterated his "Outperform" rating on Houston-based Petrohawk.

41. The foregoing article about Petrohawk, the Haynesville Shale play, competition with Chesapeake and the costs of acreage in the unconventional resource play, was published two weeks before JPMorgan made the following oil and gas lease of additional minerals under the *Washburn Ranch* with Petrohawk Properties, LP:

<u>STS C Lease</u>	
Date	July 16, 2008
Acres	16,903.43
Bonus	\$3,380,686.00
Bonus \$/Acre	\$200.00/Acre
Primary Term	3 Years
Royalty	25%

The Petrohawk STS C Lease is outlined in “orange” on the map of the *Washburn Ranch* included in paragraph 21 of my Expert Report.

42. In early July 2008, drilling commenced on the First Rock No. 1 STS well located on the *Washburn Ranch*. According to the RRC Form W-15, 10-3/4 inch surface casing was set in the STS No. 1 wellbore at 2,022 feet in a 14-3/4 inch hole. Halliburton Energy Services cemented the surface casing on July 18, 2008.

43. Confirmation of the rapid rise in bonus money paid per net mineral acre within the Haynesville Shale trend was provided by the Louisiana Department of Natural Resources in August 2008. An excerpt from the August 2008 Report titled “Haynesville Shale Gas Play and Louisiana Coal Seam Natural Gas” follows:

According to State Mineral Board Secretary Marjorie McKeithen, in the July 9, 2008 lease sale, seven north Louisiana leases were located in Caddo Parish and averaged over \$30,000 per acre in bonus and 30 percent royalty. The total bonus money received for these leases amounted to \$17,683,171, covering approximately 585 acres. The other north Louisiana lease covered 1,045 acres in DeSoto Parish and brought in \$28,750,040 in bonus which tallies \$27,512 per acre and

27.5 percent royalty. The August sale brought similar rates on 4070 acres in this area as shown in the table below. This was the second largest sale in state history.

Results from the August 13, 2008 lease sale

Parish	Avg \$/acre	Low	High	Royalty %
Bossier	\$22,562	\$18,500	\$27,500	25-27.5
Caddo	\$23,019	\$16,550	\$27,500	25-30
Desoto	\$18,500	\$18,500	\$19,286	25-30
Red River	\$20,396	\$18,500	\$27,500	25-30
Bienville	\$24,162	\$18,500	\$27,500	25-27.5

44. In the *Oil and Gas Investor*, Chesapeake Energy Corporation's Chief Executive Office explained the relative importance of bonuses paid in the Haynesville Shale trend. An excerpt from the article follows:

Because the gas reserves in these shale plays are so high, and the wells use up such a small amount of the leasehold, "honestly, the difference between paying \$1,500 per acre or \$15,000 per acre is just not that big of a deal," says McClendon. "You're talking about finding cost differences that might be measured in 2 cents or 20 cents per Mcf. Gas prices can move that much in a day." And, it still didn't get that expensive, on average. "We knew we could buy the leasehold off the ground for amounts much less than that simply because we didn't have that much competition, and there's just not that much money in the industry to price acreage the way the gas reserves per acre would tell you that it should be priced."

45. Nabors Rig No. 454 initially drilled First Rock's STS No. 1 well as a vertical hole to a measured depth of 11,378 feet. Schlumberger found total depth at 11,316 feet during a logging operation conducted on August 3, 2008. Schlumberger ran an induction- gamma ray, compensated neutron-lithodensity log within the STS No. 1 borehole from 11,308 feet to 2,000 feet. Later, 7-5/8 inch casing was set at 11,109 feet in a 9-7/8 inch hole. Halliburton Energy Services cemented the intermediate casing on August 19, 2008. The horizontal lateral was drilled into the Eagle Ford Shale formation to a measured depth of 14,465 feet (true vertical depth of 11,312 feet). Then, a tapered string of 4-1/2 inch casing and 5-1/2 inch casing was set

at 14,465 feet in a 6-3/4 inch hole. Halliburton Energy Services cemented the production casing on September 3, 2008.

46. On August 12, 2008, First Rock applied to the Railroad Commission of Texas for a permit to drill a horizontal well on the Dora Martin lease. Said lease covered a total of 6,986.8 acres. The permit to drill the Dora Martin No.1 well (API No. 42-283-32162) to a measured depth of 12,000 feet was issued to First Rock by the RRC on September 5, 2008. The RRC permit (No. 668901) for the First Rock No. 1 Dora Martin indicated that the proposed horizontal well would be another wildcat. In early September 2008, drilling commenced on the First Rock No. 1 Dora Martin well located in La Salle County. According to the RRC Form W-15, 10-3/4 inch surface casing was set in the Dora Martin No. 1 wellbore at 2,028 feet in a 14-3/4 inch hole. Halliburton Energy Services cemented the surface casing on September 17, 2008.

October 2008 - Eagle Ford Shale

47. According to the RRC Form G-1, Petrohawk Operating Company No. 1 STS was completed, as the discovery well for the Hawkville (Eagleford Shale) Field, on October 14, 2008. First Rock was listed as the previous operator of the discovery well. The measured depths of the completion intervals were listed between 11,370 feet and 14,360 feet. The STS No. 1 well was tested from October 16, 2008 through October 21, 2008. In a news release on October 21, 2008, Petrohawk reported that it had “found a new gas field in the Eagle Ford shale in La Salle County, Texas”.

48. Nabors Rig No. 454 that drilled the discovery well (STS No.1) on the *Washburn Ranch*, also drilled the Dora Martin No. 1 as a vertical hole to a measured depth of 11,277 feet. Schlumberger found total depth at 11,270 feet during a logging operation conducted on October 6, 2008. Later, 7-5/8 inch casing was set in the Dora Martin No. 1 at 10,783 feet in a 9-7/8 inch hole. Halliburton Energy Services cemented the intermediate casing on October 31, 2008.

November 2008- Eagle Ford Shale

49. According to the RRC Form G-1, the Dora Martin No. 1 horizontal lateral was drilled into the Eagle Ford Shale formation to a measured depth of 15,503 feet (true vertical depth of 11,270 feet). Then, a tapered string of 4-1/2 inch casing and 5-1/2 inch casing was set at 15,503 feet in a 6-1/2 inch hole. Halliburton Energy Services cemented the production casing on November 19, 2008. The First Rock No. 1 Dora Martin well was located several miles west of the *Washburn Ranch*.

50. There was no significant volume of drilling permits to the Eagle Ford Shale formation during November 2008. However, Petrohawk Operating Company received a permit to drill its first well in McMullen County. Although Petrohawk actually drilled the STS No. 1(H) and Dora Martin No. 1(H), those two wells were permitted in First Rock's name. According to the RRC, the only three permits to drill horizontal wells, issued during November 2008, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Zavala	Espada Operating LLC	Chaparrosa B No. 1H	42-507-32737	13-Nov-08
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 1H	42-127-33421	15-Nov-08
McMullen	Petrohawk Operating Company	Donnell No. 1	42-311-34116	22-Nov-08

December 2008 -Eagle Ford Shale

51. There was no significant drilling permit activity to the Eagle Ford Shale formation during December 2008. According to the RRC, the only permit, issued in December 2008, follows:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	Rosetta Resources Operating LP	Vela No. 1	42-479-40465	4-Dec-08

52. Despite the discovery of a new resource play under the *Washburn Ranch* and the apparent disregard for the value of remaining unleased minerals, JPMorgan made the following three oil and gas leases with Petrohawk Properties, LP:

	<u>STS A Lease</u>	<u>STS D Lease</u>	<u>STS North Lease</u>
Date	December 12, 2008	December 12, 2008	December 12, 2008
Acres	18,473.04	15,456.66	3,845.31
Bonus	\$3,694,608.00	\$3,091,332.00	\$769,061.00
Bonus \$/Acre	\$200.00/Acre	\$200.00/Acre	\$200.00/Acre
Primary Term	5 Years	5 Years	5 Years
Royalty	25%	25%	25%

The Petrohawk STS North Lease is outlined in “blue” on the map included in paragraph 21 of my Expert Report. The Petrohawk STS A Lease and Petrohawk STS D Lease on the map of the *Washburn Ranch* are outlined in “brown” and “green”, respectively.

January 2009- Eagle Ford Shale

53. According to the RRC Form G-1, Petrohawk Operating Company No. 1 Dora Martin was completed in the Hawkville (Eagleford Shale) Field on January 19, 2009. First Rock was listed as the previous operator of the second well to be completed in the Hawkville (Eagleford Shale) Field. The measured depths of the completion intervals were listed between 11,099 feet and 15,340 feet. The Dora Martin No. 1 well was tested on January 17, 2009 and January 18, 2009. The Petrohawk No. 1 Dora Martin was first confirmation well for the new field discovered on completion of the STS No. 1 well.

54. According to the RRC, the only three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during January 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 1H	42-479-40493	13-Jan-09
La Salle	Petrohawk Operating Company Stonegate	Brown-Trusts No. 1H	42-283-32184	15-Jan-09
La Salle	Production Company, LLC	Devine-Nuts No. 1	42-283-32185	28-Jan-09

February 2009 - Eagle Ford Shale

55. According to the RRC, the only two permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during February 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
McMullen	Broad Oak Energy, Inc. Petrohawk	STS -A- No. 1	42-311-33967	6-Feb-09
La Salle	Operating Company	Henderson-Cenizo 874 No. 1H	42-283-32187	23-Feb-09

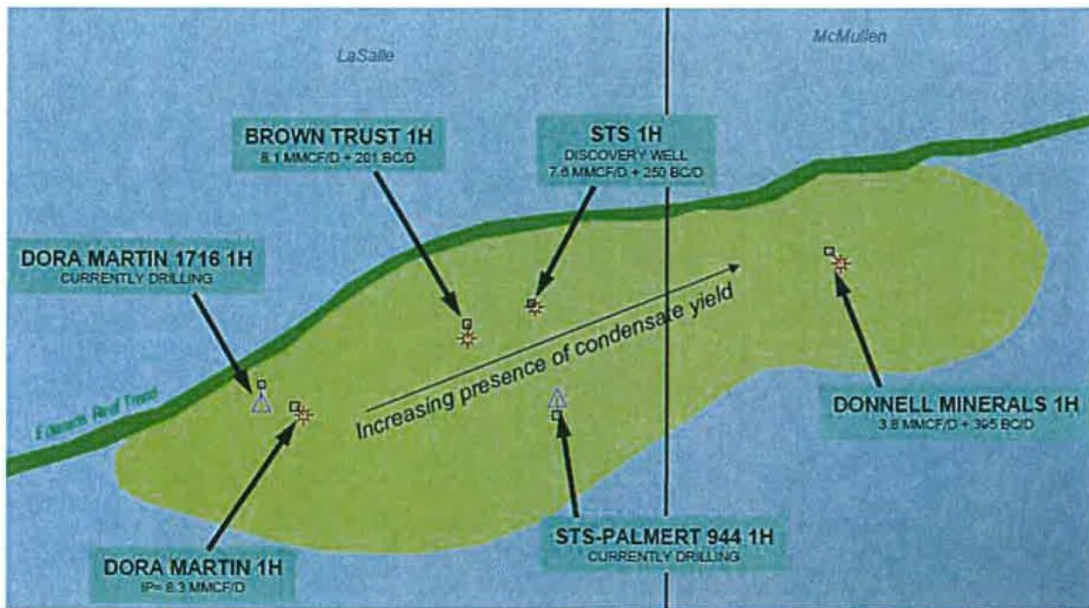
March 2009 - Eagle Ford Shale

56. According to the RRC, the only five permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during March 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Talisman Energy USA Inc.	STS No. 451H	42-283-32188	2-Mar-09
Dimmit La	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 2H	42-127-33612	12-Mar-09
Salle La	Rosetta Resources Operating LP	Springer Ranch No. 1	42-283-32190	13-Mar-09
Salle	Petrohawk Operating Company	STS-A No. 1H	42-283-32191	23-Mar-09
Maverick	Newfield Exploration Company	Glass Ranch A No. 124H	42-323-32860	27-Mar-09

April 2009 - Eagle Ford Shale

57. Hydrocarbon production from horizontal completions in the Eagle Ford Shale formation by Petrohawk had been established west of the *Washburn Ranch* and east of the *Washburn Ranch* in McMullen County. The map, extracted from an April 21, 2009, IPAA Petrohawk presentation in New York, shows the location of Eagle Ford Shale activity relative to the discovery well on the *Washburn Ranch*:



58. During the April 21, 2009 Presentation, Petrohawk also made comparisons of the important reservoir characteristics in its new Eagle Ford Shale play with the reservoir characteristics of the Haynesville Shale, and another shale play:

	HAYNESVILLE	EAGLE FORD	FAYETTEVILLE
DEPTH RANGES	10,500'-13,500'	11,000-12,000'	1200'-6000'
MAX GROSS THICKNESS	225'	250'	400'
MAX NET THICKNESS	225'	250'	220'
GAS IN PLACE/SECTION (BCFE)	150 to 170	180 to 210	55 to 65
MEAN RESERVE/WELL (BCFE)	7.5	5.5	2.0
PRESSURE GRADIENT (PSI/FT)	0.85	0.65	0.45
TOTAL POROSITY (%)	12.0	11.0	7.0
GAS FILLED POROSITY (%)	9.0	9.0	4.5
TOTAL ORGANIC CONTENT (TOC %)	3.1	4.5	3.8
CARBONATE CONTENT (%)	10 TO 15	45 TO 60	5 TO 10
INFRASTRUCTURE	Expanding	Legacy	Complete

59. According to the RRC, the only six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during April 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Petrohawk Operating Company	Dora Martin 1716 No. 1H	42-283-32193	2-Apr-09
La Salle	Petrohawk Operating Company	J.C. Martin 1850 No. 1H	42-283-32194	9-Apr-09
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 1H	42-127-33592	14-Apr-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 1H	42-479-40576	16-Apr-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 2H	42-127-33615	24-Apr-09
La Salle	Petrohawk Operating Company	STS-B No. 1H	42-283-32198	30-Apr-09

May 2009 -Eagle Ford Shale

60. According to the RRC, the only three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during May 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Common Resources, LLC	Nueces Minerals Company No. 2001H	42-283-32199	8-May-09
McMullen	Petrohawk Operating Company	Donnell Minerals 366 No. 1H	42-311-34131	12-May-09
La Salle	Petrohawk Operating Company	Henderson-Cenizo 877 No. 2H	42-283-32200	26-May-09

June 2009- Eagle Ford Shale

61. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during June 2009, follow:

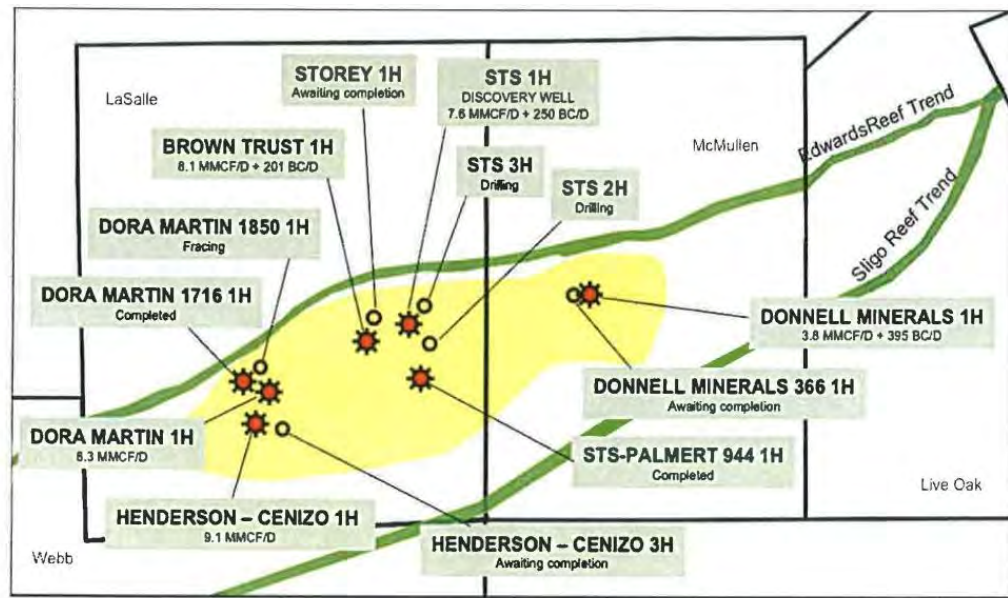
<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Lewis Petro Properties, Inc.	Storey 267 No. 1H	42-283-32201	1-Jun-09
Dimmit	Anadarko E&P Company LP	La Bandera Ranch No. 1H	42-127-33618	3-Jun-09
Zavala	Espada Operating LLC	Chaparrosa A No. 2H	42-507-32740	3-Jun-09
La Salle	Common Resources, LLC	Cooke 238 No. 1H	42-283-32202	15-Jun-09
Webb	St. Mary Land & Exploration Co.	Briscoe -J- No. 1H	42-479-40602	15-Jun-09
La Salle	Lewis Petro Properties, Inc.	Evans -H- No. 1	42-283-31779	17-Jun-09
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Ranch No. 1H	42-127-33620	18-Jun-09
McMullen	Petrohawk Operating Company	Donnell457 No. 1H	42-311-34137	19-Jun-09
La Salle	Petrohawk Operating Company	STS No. 2H	42-283-32203	19-Jun-09
La Salle	Petrohawk Operating Company	STS No. 3H	42-283-32204	22-Jun-09
Webb	St. Mary Land & Exploration Co.	Briscoe -AR- No. 1H	42-479-40603	24-Jun-09
La Salle	Common Resources, LLC	STS No. 291H	42-283-32205	24-Jun-09
La Salle	Petrohawk Operating Company	STS No. 4H	42-283-32206	26-Jun-09
La Salle	Petrohawk Operating Company	Brown Distributing 981 No. 1H	42-283-32208	29-Jun-09
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Ranch No. 2H	42-127-33621	30-Jun-09

July 2009 - Eagle Ford Shale

62. According to the RRC, the six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during July 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
McMullen	Murphy Exploration & Prod. Co.	George Miles No. 1H	42-311-34139	2-Jul-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 1H	42-283-32209	6-Jul-09
Dimmit	Anadarko E&P Company LP	Beinhorn Ranch No. 1H	42-127-33624	7-Jul-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 95	42-479-40619	16-Jul-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 4H	42-479-40621	17-Jul-09
Dimmit	Newfield Exploration Company	Briscoe-McKnight No. 1597HX	42-127-33626	31-Jul-09

63. A slide from Petrohawk's presentation to IPAA and TIPRO on July 8, 2009, at the Leaders in Industry Luncheon depicts its activity within the new Eagle Ford Shale play:



August 2009 – Eagle Ford Shale

64. According to the RRC, the eighteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during August 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Permit
La Salle	El Paso E & P Company, L.P.	Briscoe-Nunley GU No. 1H	42-283-32211	4-Aug-09
McMullen	Petrohawk Operating Company	Donnell1077 No. 1H	42-311-34142	4-Aug-09
McMullen	Petrohawk Operating Company	Donnell1086 No. 1H	42-311-34145	5-Aug-09
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 6H	42-479-40650	6-Aug-09
McMullen	Common Resources, LLC	Goodridge No. 2401H	42-311-34141	7-Aug-09
Dimmit	Anadarko E&P Company LP	San Pedro Ranch No. 4H	42-127-33628	10-Aug-09
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 3H	42-283-32212	10-Aug-09
Dimmit	Newfield Exploration Company	McKnight Tract 15 No. 1	42-127-31694	12-Aug-09
La Salle	Petrohawk Operating Company	Brown-Trusts No. 2H	42-283-32214	12-Aug-09
La Salle	Petrohawk Operating Company	HeimNo. 1H	42-283-32213	12-Aug-09
La Salle	Common Resources, LLC	Nueces Minerals Co. No. 1501H	42-283-32215	12-Aug-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 2H	42-479-40663	13-Aug-09
Dimmit	Encana Oil & Gas (USA) Inc.	Mayberry McKnight South 21 No. 1H	42-127-33627	19-Aug-09
Webb	Laredo Energy LLC	Rosa V. Benavides No. 3H	42-479-40669	20-Aug-09
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 1H	42-479-40670	20-Aug-09
McMullen	Petrohawk Operating Company	Donnell eta!No. 5H	42-311-34153	24-Aug-09
La Salle	Lewis Petro Properties, Inc.	Appling 716 No. 1H	42-283-32216	27-Aug-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 4H	42-127-33629	28-Aug-09

September 2009 - Eagle Ford Shale

65. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during September 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	Escondido Resources II, LLC	Matrix Land Co. No. 11H	42-479-40673	2-Sep-09
McMullen	Murphy Exploration & Prod. Co.	George Miles No. 2H	42-311-34157	2-Sep-09
McMullen	Murphy Exploration & Prod. Co.	Larry Miles No. 1H	42-311-34156	2-Sep-09
La Salle	Murphy Exploration & Prod. Co.	Crescent C No. 1H	42-283-32219	8-Sep-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 2H	42-283-32218	8-Sep-09
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 2H	42-311-34130	9-Sep-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 1	42-013-34272	10-Sep-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 2H	42-013-34273	10-Sep-09
McMullen	Common Resources L.L.C.	STS -A- No. 361H	42-311-34158	14-Sep-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 3H	42-283-32220	22-Sep-09
McMullen	EOG Resources, Inc.	Hundley No. 2H	42-311-34161	23-Sep-09
McMullen	EOG Resources, Inc.	Hundley No. 3	42-311-34162	23-Sep-09
La Salle	Lewis Petro Properties, Inc.	Storey 151 No. 2H	42-283-32221	25-Sep-09
McMullen	Aurora Resources Corporation	Tyler Ranch No. 4	42-311-34163	30-Sep-09
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 2H	42-479-40682	30-Sep-09

October 2009 - Eagle Ford Shale

66. On October 1, 2009, Chesapeake Exploration, L.L.C. acquired two oil and gas leases from PGE Mineral Properties, Ltd. that included rights to the Eagle Ford Shale under the *Dos Hermanos Ranch* and *Browne Ranch* in Webb County, Texas. The *Dos Hermanos Ranch* and *Browne Ranch* covered 15,729.34 acres and 9,143.16 acres, respectively. According to the Letter Agreement dated August 13, 2009, Chesapeake Exploration, L.L.C. paid a bonus of \$30,000,000 (approximately \$1,200.00 per net mineral acre) to PGE Mineral Properties, Ltd. Both oil and gas leases provided for a free royalty of 27-1/2%, spud fees of \$250,000.00 per well for the first 200 wells spudded on the *Dos Hermanos Ranch* and *Browne Ranch* and a 10% working interest “carried through the tanks” on ten wells designated by PGE Mineral Properties, Ltd. Furthermore, Chesapeake Exploration, L.L.C. agreed to drill six wells on either or both leases during the first 18 months of the leases or pay PGE Mineral Properties, Ltd. \$1,000,000.00 for each well it failed to timely drill. The continuous development clauses required three wells per year on each lease to extend the undeveloped portion of each lease for another year.

67. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during October 2009, follow:

County	<u>Operator Name</u>	Well Name	API No.	Drilling Permit
Webb	Lewis Petro Properties, Inc.	Neel No. 2H	42-479-40604	7-Oct-09
Dimmit	Anadarko E&P Company LP	South Spur Ranch No. 1H	42-127-33633	9-Oct-09
La Salle	Lewis Petro Properties, Inc.	Golla 7H No.7	42-283-32222	9-Oct-09
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. M 1H	42-283-32223	9-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 3H	42-479-40690	9-Oct-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 2H	42-479-40695	16-Oct-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 6H	42-479-40696	16-Oct-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 2H	42-283-32225	20-Oct-09
Frio Webb	Cabot Oil & Gas Corporation	Patrick West No. 1	42-163-33403	23-Oct-09
Dimmit	St. Mary Land & Exploration Co.	Galvan Ranch No. 7H	42-479-40697	26-Oct-09
McMullen	Anadarko E&P Company LP	La Bandera Ranch No. 2H	42-127-33634	28-Oct-09
Webb	EOG Resources, Inc.	Hundley No. 4H	42-311-34170	28-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 4H	42-479-40701	28-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- GU 2 No. 5H	42-479-40703	30-Oct-09
	Swift Energy Operating, LLC	Fasken -A- No. 1H	42-479-40705	30-Oct-09

68. A price comparison of acreage within various resource plays made by RBC

Richardson Barr follows:

<u>Resource Play</u>	<u>2008 First-Half Median Estates (per acre)</u>	<u>2009 Second-Half Median Estimates (per acre)</u>
Eagle Ford	\$50-\$100	\$300-\$500
Haynesville	\$20,000-\$30,000	\$20,000-\$30,000
Marcellus	\$2,000-\$4,000	\$2,000-\$4,000
Fayetteville	\$7,000-\$10,000	\$3,000-\$5,000
Woodford	\$5,000-\$10,000	\$2,000-\$5,000
Barnett	\$20,000-\$30,000	\$5,000-\$10,000
Bakken	\$2,000-\$3,000	\$500-\$1,000
Wolfberry	\$2,000-\$3,000	\$500-\$1,000

The comparison was published in the October 2009 issue of the *Oil and Gas Investor*.

69. A summary of monthly natural gas production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres follows:

Production Month	STS No. 1 RRC ID 244785 Mcf	STS No. 2H RRC ID 254322 Mcf	STS No. 3H RRC ID 251818 Mcf	STS No. 4H RRC ID 254479 Mcf
Oct-08	93,230	-	-	-
Nov-08	95,043	-	-	-
Dec-08	78,022	-	-	-
Jan-09	71,566	-	-	-
Feb-09	55,836	-	-	-
Mar-09	39,400	-	-	-
Apr-09	11,695	-	-	-
May-09	0	-	-	-
Jun-09	29,729	-	-	-
Jul-09	64,980	-	-	-
Aug-09	39,897	-	-	-
Sep-09	51,868	-	85,185	-
Oct-09	59,967	152,380	96,663	135,696

70. A summary of monthly condensate production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres follows:

Production Month	STS No. 1 RRC ID 244785 Bbls	STS No. 2H RRC ID 254322 Bbls	STS No. 3H RRC ID 251818 Bbls	STS No. 4H RRC ID 254479 Bbls
Oct-08	2,614	-	-	-
Nov-08	2,568	-	-	-
Dec-08	1,794	-	-	-
Jan-09	1,331	-	-	-
Feb-09	1,114	-	-	-
Mar-09	809	-	-	-
Apr-09	378	-	-	-
May-09	0	-	-	-
Jun-09	672	-	-	-
Jul-09	2,227	-	-	-
Aug-09	1,346	-	-	-
Sep-09	0	-	2,957	-
Oct-09	3,443	3,476	4,899	1,550

71. A summary of monthly natural gas and condensate production from a well operated by Petrohawk Operating Company on the May 27, 2008 STS East Lease that covered 12,772.9325 acres follows:

Production Month	STS-B No. 1H RRC ID 254484 Mcf	STS-B No. 1H RRC ID 254484 Bbls
Oct-09	17,711	0

November 2009- Eagle Ford Shale

72. On November 2, 2009, Swift Energy Company and Petrohawk Energy Corporation agreed to jointly develop and operate a 26,000-acre portion of Swift Energy's Eagle Ford Shale acreage in McMullen County. Swift Energy received approximately \$26 million in cash consideration upon closing of the agreement. Petrohawk will also fund approximately \$13 million of capital expenditures on Swift Energy's behalf within the first twelve months of the joint venture. Swift Energy retained 50% of the deal. The aggregate consideration including the carry cost on behalf of Swift Energy is \$39 million. Analysts attribute the unit value of the undeveloped acreage at \$3,000 per acre.

73. On November 4, 2009, Petrohawk Operating Company requested that temporary field rules be adopted for the Hawkville (Eagleford Shale) Field. In a hearing before a RRC technical examiner in Docket No. 01-0263175, Petrohawk indicated that its development of the hydrocarbons within the Eagle Ford Shale formation was in the early stages. In fact, there were only two gas wells on the proration schedule, classified in the new field, at the time of the hearing. The Hawkville (Eagleford Shale) Field was defined as the correlative interval from

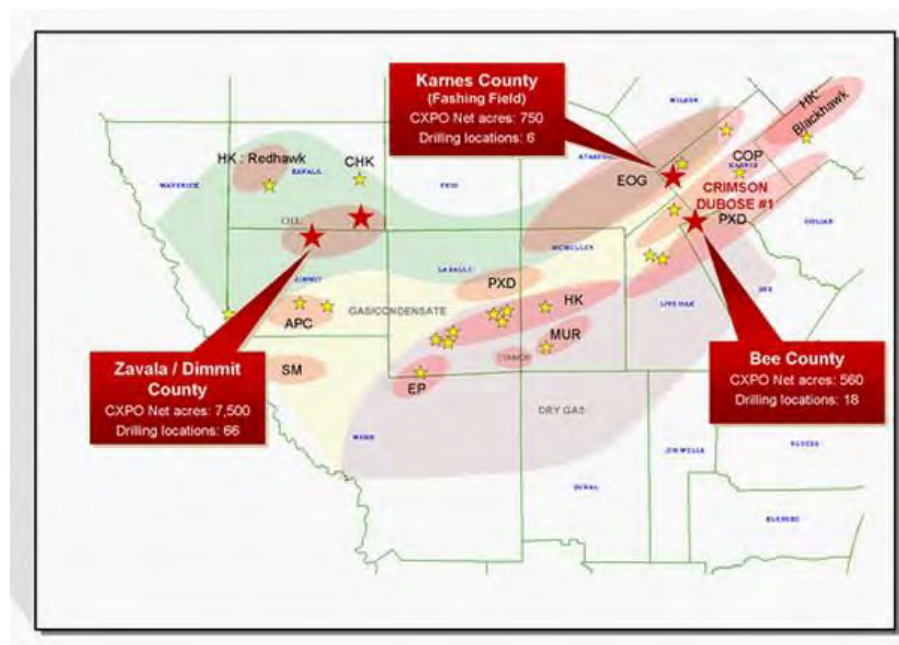
11,050 feet to 11,290 feet as shown on the log of the STS No. 1 well located on the *Washburn Ranch*.

74. According to the RRC, the fourteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during November 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Dimmit	Anadarko E&P Company LP	Rogers Dentonio Ranch No. 1H	42-127-33636	2-Nov-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 4H	42-283-32226	4-Nov-09
McMullen	Petrohawk Operating Company	Lowe No. 2H	42-311-34172	5-Nov-09
La Salle	Lewis Petro Properties, Inc.	Lyssy Family No. 1H	42-283-32227	10-Nov-09
Webb	Chesapeake Operating, Inc.	POE Browne No. 1H	42-479-40717	12-Nov-09
La Salle	Lewis Petro Properties, Inc.	Martin Family No. 1H	42-283-32228	12-Nov-09
Webb	Rosetta Resources Operating LP	Santa Cruz No. 1	42-479-40718	13-Nov-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 8H	42-479-40724	13-Nov-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 5H	42-127-33637	16-Nov-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 7H	42-127-33643	19-Nov-09
La Salle	Murphy Exploration & Prod. Co.	Asche Ranch No. 1H	42-283-32230	23-Nov-09
La Salle	Petrohawk Operating Company	Brown Distributing No. 1H	42-283-32231	23-Nov-09
La Salle	Petrohawk Operating Company	Brown Distributing No. 2H	42-283-32229	23-Nov-09
Dimmit	Anadarko E&P Company LP	Beinhom Ranch No. 2H	42-127-33644	25-Nov-09

December 2009 - Eagle Ford Shale

75. On December 31, 2009, Crimson Exploration Inc. depicted the Eagle Ford Shale trend on a presentation slide, as follows:



76. According to the RRC, the twenty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during December 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 11H	42-013-34279	1-Dec-09
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 1H	42-311-34176	1-Dec-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 3H	42-127-33646	3-Dec-09
McMullen	Union Gas Operating Company	Fox Creek Ranch No. 1H	42-311-33576	3-Dec-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 6H	42-127-33648	4-Dec-09
Webb	Laredo Energy LLC	State ofTX Hill Ranch No. 3H	42-479-40733	4-Dec-09
La Salle	Petrohawk Operating Company	J.C. Martin No. 3H	42-283-32232	4-Dec-09
McMullen	Swift Energy Operating, LLC	F.B. Horton No. 2H	42-311-34027	4-Dec-09
Zavala	TXCO Resources, Inc.	White-McKnight No. 2533H	42-507-32721	4-Dec-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 4H	42-283-32233	7-Dec-09
McMullen	Petrohawk Operating Company	J.V. Bracken No. 1H	42-311-34177	8-Dec-09
Webb	Laredo Energy LLC	Rosa V. Benavides No. 2H	42-479-40561	10-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 319	42-479-40736	11-Dec-09
La Salle	El Paso E & P Company, L.P.	Hixon No. 1H	42-283-32234	16-Dec-09
Webb	Anadarko E&P Company LP	Stanley Ranch No. 1H	42-479-40742	17-Dec-09
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 1H	42-479-40740	17-Dec-09
Zavala	Petrohawk Operating Company	Mustang Ranch No. 1H	42-507-32744	17-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 419	42-479-40738	17-Dec-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 17H	42-479-40741	17-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 102	42-479-40743	18-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 1287	42-479-40744	18-Dec-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 5H	42-283-32235	21-Dec-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 10H	42-013-34282	22-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 5H	42-283-32238	28-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 2H	42-283-32239	29-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 4H	42-283-32237	30-Dec-09
La Salle	Petrohawk Operating Company	J.C. Martin No. 2H	42-283-32240	30-Dec-09

77. An excerpt from the December 15, 2009 issue of *A&D Transactions* follows:

Swift Energy and Petrohawk Energy agreed to jointly develop and operate an -26,000 acre portion of Swift's Eagle Ford Shale acreage in McMullen Co., Texas. Swift received -\$26 million in cash upon closing. Petrohawk will also fund -\$13 million of capex on Swift's behalf within the first twelve months of the JV. If any portion of this amount is not expended during the first twelve months, it will be paid to Swift as cash consideration.

Swift retains 50% in the JV that calls for joint development of this prospect area located in its AWP field and covers leasehold interests beneath the Olmos formation (including the Eagle Ford Shale formation)

extending to the base of the Pearsall formation. Petrohawk will operate during the drilling and completion phase of the joint development, and Swift will operate the wells drilled once they have entered the production phase. The appraisal drilling program will begin in 2009 with an acceleration of activity expected in 2010.

Terry Swift, CEO of Swift Energy, said Petrohawk’s technical and commercial expertise has already produced strong operational results in the Eagle Ford Shale, making the company an excellent choice as a partner for this project.

January 2010- Eagle Ford Shale

78. According to the Railroad Commission of Texas, the thirty-one permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during January 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
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Dimmit La	Chesapeake Operating, Inc.	Voltz Unit A No. 1H	42-127-33776	1-Jan-10
Salle	EOG Resources, Inc.	Hoff Ranch No. 7H	42-283-32241	4-Jan-10
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 7H	42-479-40746	5-Jan-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 1H	42-479-40747	5-Jan-10
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 12H	42-013-34284	6-Jan-10
McMullen	Petrohawk Operating Company	Lowe No. 1H	42-311-34186	6-Jan-10
Webb	Anadarko E&P Company LP	Worthey Ranch No. 1H	42-479-40755	7-Jan-10
Webb	Lewis Petro Properties, Inc.	Trevino Ranch No. 3H	42-479-40757	8-Jan-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -B- No. 1H	42-479-40756	13-Jan-10
McMullen	Espada Operating LLC	Furie-La Jolla No. 1H	42-311-34188	14-Jan-10
McMullen	Petrohawk Operating Company	Lowe No. 3H	42-311-34187	14-Jan-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 707A	42-479-40771	14-Jan-10
La Salle	Lewis Petro Properties, Inc.	Applying 716 No. 3H	42-283-32243	15-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 3H	42-479-40776	15-Jan-10
Zavala	Chesapeake Operating, Inc.	Traylor North No. 1H	42-507-32746	20-Jan-10
Atascosa	EOG Resources, Inc.	Peeler Ranch Unit No. 1H	42-013-34285	20-Jan-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 3H	42-479-40782	21-Jan-10
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. 6821H	42-283-32244	21-Jan-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 1023	42-479-40780	21-Jan-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 2024	42-479-40781	21-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 1H	42-479-40787	25-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 3H	42-479-40786	25-Jan-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 1H	42-127-33655	27-Jan-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 1H	42-127-33655	27-Jan-10
Webb	Lewis Petro Properties, Inc.	J.S. Long No. 1H	42-479-40789	27-Jan-10
Webb	Lewis Petro Properties, Inc.	W.A. Maltsberger No. 1H	42-479-40791	27-Jan-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 3H	42-311-34190	27-Jan-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 4H	42-311-34191	28-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 10H	42-479-40793	28-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 14H	42-479-40794	28-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 2H	42-479-40799	29-Jan-10

79. Excerpts from an Eagle Ford Shale trend update provided by the Ross Smith Energy Group on January 22, 2010 follow:

There are now 45 rigs operating in the Eagleford Shale, up from 11 in August. EOG is the most active operator with five rigs. There are over 10 rigs drilling in the updip oily window...

Cabot Oil and Gas (COG) spudded its first well in Frio County (oily), Chesapeake is testing in Webb and De Witt counties (gassy) and Petrohawk (HK) is drilling on its oily Red Hawk Prospect in Zavala County.

80. Chesapeake Exploration, LLC paid the Texas Parks and Wildlife Commission \$3,926,695.20 for a three year primary term Oil and Gas Lease that included 2,488.4 net mineral acres under the Chaparral Wildlife Management Area in Dimmit County, Texas. The Texas

Parks and Wildlife Commission owned one-sixth (1/6th) of the minerals under 15,200 acres. The Oil and Gas Lease was dated January 28, 2010. The bonus paid by Chesapeake Exploration, LLC of approximately \$1,578 per net mineral acre resulted from a competitive lease sale conducted by the Texas General Land Office. On November 5, 2009, the Texas Parks and Wildlife Commission made a recommendation to the Board for Lease for Parks and Wildlife Lands to lease its share of the minerals under the Chaparral Wildlife Management Area. The location of the Chaparral Wildlife Management Area is within the oil-prone area of the Eagle Ford Shale trend. In its Notice for Bids due January 28, 2010, the Texas General Land Office set the minimum bonus bid for the minerals owned by the Texas Parks and Wildlife Commission at \$600 per net mineral acre.

81. Excerpts from an Eagle Ford Shale trend update provided by Barclays Capital on January 29, 2010 follow:

The Eagleford Shale in South Texas is likely to overtake the Fayetteville Field and perhaps the Granite Wash Play to become the 4th or 5th most active horizontal gas drilling play in the US by the end of the first quarter. Activity levels have doubled since September to over 30 rigs as producers have been encouraged by high flow rates and high liquids content. We expect upcoming 4Q '09 earnings to include comments on well results from APC, HK, SM, SFY and ROSE and believe that EOG Management may be ready to provide the much awaited update on the company's activities in the "liquids rich" and "oil" windows of this play ...

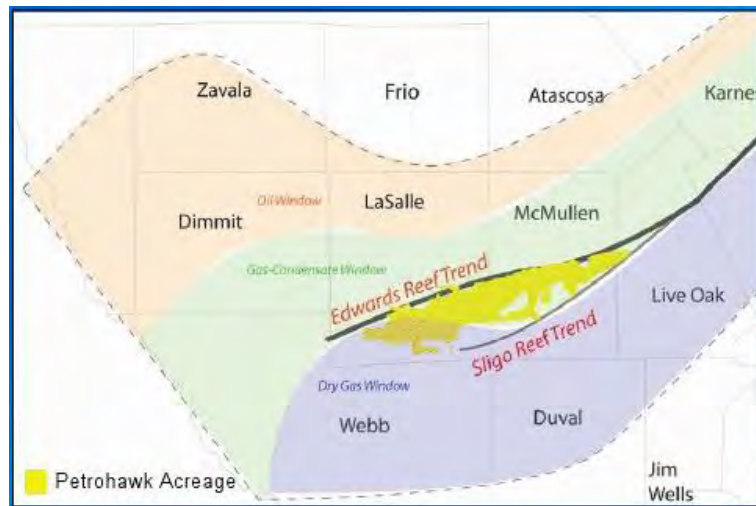
February 2010- Eagle Ford Shale

82. According to the RRC, the forty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during February 2010, follow:

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	El Paso E & P Company, L.P.	Needmore No. 1H	42-479-40797	1-Feb-10
Maverick	Tidal Petroleum Inc.	Los Cuatros No. 1H	42-323-31192	1-Feb-10
Webb	EOG Resources, Inc.	Tully C. Gamer No. 100H	42-479-40801	2-Feb-10
La Salle	Rosetta Resources Operating LP	Springer Ranch No. 3	42-283-32245	2-Feb-10
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 2H	42-127-33654	3-Feb-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 1	42-283-32176	5-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 7015	42-479-40803	5-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No. 1	42-479-40808	5-Feb-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 12H	42-479-40807	5-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 1H	42-479-40806	5-Feb-10
La Salle	Lewis Petro Properties, Inc.	Appling 695 No. 2H	42-283-32247	8-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 6012	42-479-40812	8-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No. 2	42-479-40810	8-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 2H	42-479-40809	8-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 2H	42-311-34195	8-Feb-10
Zavala	LMP Petroleum, Inc.	Thompson No. 1012H	42-507-32747	9-Feb-10
Dimmit	LMP Petroleum, Inc.	Thompson No. 1023HR	42-127-32871	9-Feb-10
Zavala	LMP Petroleum, Inc.	Thompson No. 5021HR	42-507-32415	9-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 606A	42-479-40811	9-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 1H	42-311-34194	9-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 3H	42-311-34196	9-Feb-10
Dimmit	Anadarko E&P Company LP	Diamond H State No. 1H	42-127-33657	10-Feb-10
Webb	Lewis Petro Properties, Inc.	Fasken State 1561 No. 1H	42-479-40815	10-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -C- No. 1H	42-479-40813	10-Feb-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 1H	42-127-33658	11-Feb-10
Webb	Lewis Petro Properties, Inc.	Neel No. 4H	42-479-40816	11-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 101	42-479-40817	11-Feb-10
McMullen	Swift Energy Operating, LLC	San Miguel No. 1H	42-311-34197	11-Feb-10
La Salle	Petrohawk Operating Company	Martin Unit 1 No. 1H	42-283-32249	12-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 3H	42-311-34199	16-Feb-10
McMullen	Petrohawk Operating Company	J.V. HuffNo. 5H	42-311-34200	16-Feb-10
La Salle	El Paso E & P Company, L.P.	Nunley-Traylor No. 1H	42-283-32251	17-Feb-10
Dimmit	Murphy Exploration & Prod. Co.	Briggs No. 1H	42-127-33659	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Barfork Bar No. 7H	42-311-34202	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 9H	42-311-34203	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken 6488 No. 1H	42-311-34204	18-Feb-10
Dimmit	Anadarko E&P Company LP	South Spur State No. 1H	42-127-33660	19-Feb-10
La Salle	ExxonMobil Oil Corporation	Burks Ranch East No. 2H	42-283-32250	19-Feb-10
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. 6851H	42-283-32252	19-Feb-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 7H	42-127-33662	22-Feb-10
Dimmit	Anadarko E&P Company LP	Diamond H Ranch No. 1H	42-127-33661	22-Feb-10
Webb	Lewis Petro Properties, Inc.	Morse Hubbard GU-A-No. 1H	42-479-40821	23-Feb-10
Dimmit	Anadarko E&P Company LP	Beinhom Ranch No. 3H	42-127-33664	24-Feb-10
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 111H	42-013-34289	24-Feb-10

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	Escondido Resources II, LLC	Cerrito -B- No. 7H	42-479-40824	24-Feb-10
Webb	Laredo Energy LLC	G-B Minerals No. 1H	42-479-40827	25-Feb-10
McMullen	Petrohawk Operating Company	J.V. Anthony et al No. 1H	42-311-34207	26-Feb-10

83. In February 2010, Petrohawk Energy Corporation depicted the Eagle Ford Shale trend on a presentation slide, as follows:



March 2010- Eagle Ford Shale

84. According to the RRC, the thirty-six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during March 2010, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Petrohawk Operating Company	Dora Martin Unit 1 No. 1H	42-283-32253	1-Mar-10
La Salle	Petrohawk Operating Company	Martin Unit 2 No. 1H	42-283-32248	2-Mar-10
La Salle	Lewis Petro Properties, Inc.	Storey 267 No. 3H	42-283-32254	3-Mar-10
McMullen	Petrohawk Operating Company	J.V. Whitehurst No. 6H	42-311-34201	3-Mar-10
La Salle	Petrohawk Operating Company	STS -A- No. 4H	42-283-32255	3-Mar-10
Dimmit	Chesapeake Operating, Inc.	Lazy A Cotulla No. 1H	42-127-33665	4-Mar-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 4H	42-283-32256	5-Mar-10

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Atascosa	EOG Resources, Inc.	Peeler Ranch Unit No. 2H	42-013-34290	5-Mar-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 2023	42-479-40830	5-Mar-10
Atascosa	XTO Energy Inc.	Emma Tartt, et al No. 17H	42-013-34291	5-Mar-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 7H	42-479-40832	5-Mar-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 5H	42-479-40831	8-Mar-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 2H	42-283-32257	9-Mar-10
McMullen	Swift Energy Operating, LLC	Discher No. 1H	42-311-34209	9-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 2H	42-127-33666	10-Mar-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 4H	42-479-40834	11-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 3H	42-127-33667	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 4H	42-127-33668	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 5H	42-127-33669	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 6H	42-127-33670	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 8H	42-127-33671	12-Mar-10
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 110H	42-013-34293	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Beasley State 1628 No. 1H	42-479-40835	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Cox State 1470 GU No. 1H	42-479-40822	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Stewart Trust No. 5H	42-479-40838	17-Mar-10
McMullen	Swift Energy Operating, LLC	G.L. Hayes No. 1H	42-311-34211	19-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 9H	42-127-33672	22-Mar-10
McMullen	Anadarko Minerals Incorporated	Wheeler No. 1H	42-311-34212	22-Mar-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 1H	42-479-40847	22-Mar-10
Dimmit	Anadarko E&P Company LP	La Bandera Ranch No. 3H	42-127-33673	24-Mar-10
Maverick	Peregrine Petroleum LLC	Briscoe Ranch et al Sec 63 No. 1H	42-323-33347	24-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 9H	42-127-33674	25-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 10H	42-127-33677	30-Mar-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 6H	42-283-32258	30-Mar-10
Webb	Laredo Energy LLC	Rosa V. Benavides No. 5H	42-479-40858	30-Mar-10
Dimmit	Redemption Oil & Gas, LLC	Shook No. 21H	42-127-33676	30-Mar-10

85. In March 2010, BP p.l.c. acquired an interest in the Eagle Ford Shale through a joint venture with the Lewis Energy Group. An excerpt from a March 1, 2010 news article follows:

BP PLC is expected to announce Tuesday an expansion of its U.S. shale- gas operations through a joint-venture deal in Texas with privately held Lewis Energy Group worth at least \$160 million, people familiar with the situation said.

BP's move is the latest in a string of deals that have brought major oil companies into U.S. shale gas--a substantial resource that has boosted U.S. gas reserves significantly and is transforming the energy industry. While relatively small compared with the multibillion-dollar deals struck recently, BP's move underscores the growing interest of the biggest integrated energy companies, which were slow to recognize the potential of shale gas. BP, Norway's Statoil SA (STO) and other big oil companies also aim to apply expertise gained in North America to their efforts overseas to extract gas from deep, hard, shale-rock formations.

Several companies have been jostling for acquisitions in the sector, which was pioneered by smaller, independent U.S. producers such as Chesapeake Energy Corp. (CHK) and XTO Energy Inc. (XTO). France's Total SA (TOT) agreed in January to acquire a quarter of Chesapeake's Barnett Shale operations in Texas for \$2.25 billion. This came the month after Exxon Mobil Corp. (XOM) gave shale-gas development a definitive stamp of approval by agreeing to acquire XTO in an all-share deal valued at around \$31 billion.

BP will take a 50% stake in 80,000 acres of the Eagle Ford Shale play in the southeastern part of Texas held by Lewis Energy at a price of \$4,000 to \$4,500 an acre, one of the people familiar with the matter said.

The two companies are already running one drilling rig on the license and could be running four rigs by the end of the year, another person said.

86. On March 9, 2010, Well Fargo Securities, LLC provided an *Equity Research Report* on the Eagle Ford Shale play. Excerpts from the Discussion Section of the *Equity Research Report* titled "In 2010, The Eagle Ford Shale Could Be It" follows:

Summary Thoughts- In 2010, We Think the Eagle Ford Shale Could Be It
As 2010 has swiftly and squarely taken off, we sense a number of emerging themes taking hold, which we believe could carry important implications for E&P investment performance in the months and/or quarters remaining in the year. One such emerging theme is the likely prevalence of and preference toward the Eagle Ford Shale, both by industry as well as Wall Street. Some key reasons we find ourselves keying in on the Eagle Ford include a preference for liquids exposure, strong initial productivity, a relatively benign regulatory and operating environment, and a generally earlier stage on the learning curve, which in our view could lead to more outsized returns as more meaningful upside to expectations could potentially remain. With initial well economics estimates rivaling both the Marcellus and the Haynesville, we expect a continued ramp in activity and interest throughout 2010. In short, as we (as we) attempt to envision the rearview mirror of year-end 2010, we (the) think the Eagle Ford Shale could end up being the place to have been for uncovering alpha in the oil patch ...

Eagle Ford Background, Industry Activity, and Operating Information The Eagle Ford Shale is a Cretaceous-age shale being aggressively pursued by the industry in South Texas. Starting with Petrohawk's Hawkville Field discovery in late 2008, the play has quickly caught the attention of industry, and now Wall Street, as its high liquids yielding production stream, among other factors, provides very attractive economics even at current low gas prices (given the persistent disparity between liquids and gas pricing). The Eagle Ford is found at roughly 8,000'-14,000' (10,000'-12,000' core focus), with thickness of 150'-300'; where most productive, the shale section is thought to contain significant amounts of natural fracturing, low clay and high carbonate contents, and high gas in place given high relative porosity. The Eagle Ford is a known source rock for the Austin Chalk, found uphole in much of South Texas...

Chesapeake Energy- Still Accumulating Acreage, Just Beginning to Ramp
As of its February earning's call, Chesapeake had accumulated 150,000 net acres in the basin, and is continuing to lease land as it targets an acreage position of 300,000-400,000 acres. No acreage map or details have been provided, but CHK has stated that it is in the "oilier" part of the play. The company currently has 1 rig running, and as of the February call the first well had begun production, although it has yet to announce any results. In our current NAV, we have not assigned any value to CHK's Eagle Ford operations, as we await further detail surrounding its operations and well results.

EOG Resources - Details Held Close to the Vest, Expect More Information Next Month

There has been significant industry chatter and buzz surrounding EOG's acreage position, although the company has yet to disclose any detail other than that it is leasing acreage in the area. Some public data is available, but we are hearing EOG could have an acreage position of 250,000-300,000 net acres. We expect EOG to disclose its position at its analyst conference, which is scheduled for April 7th. Similar to our treatment for CHK, given the limited detail available, we have not assigned any value to EOG's Eagle Ford position.

87. A list of the companies profiled by Wells Fargo Securities in the March 9, 2010

Equity Research Report related to the Eagle Ford Shale trend included:

Anadarko Petroleum Corporation
Cabot Oil and Gas Corporation
Chesapeake Energy Corporation
ConocoPhillips Company
Devon Energy Corporation
El Paso Corporation EOG
Resources, Inc. Murphy
Oil Corporation
Newfield Exploration Company
Petrohawk Energy Corporation
Pioneer Natural Resources Company
Rosetta Resources Inc.
St. Mary Land & Exploration Company
Swift Energy Company

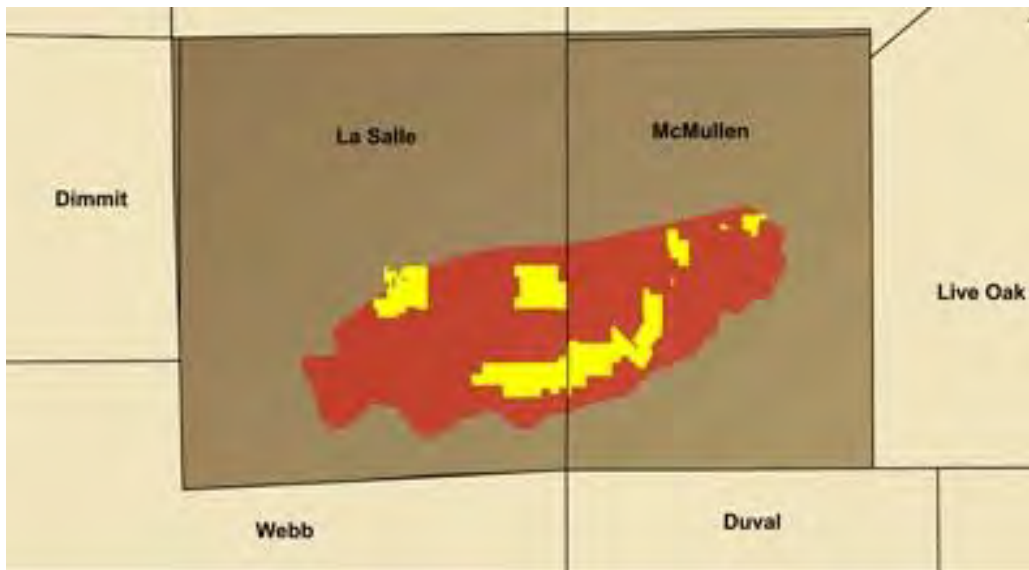
April 2010 -Eagle Ford Shale

88. According to the RRC, the forty-five permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during April 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 112H	42-013-34300	6-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 10H	42-127-33678	7-Apr-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 77 Unit No. 1H	42-323-33348	7-Apr-10
La Salle	Riley Exploration LLC	Gonzales No. 1H	42-283-32259	7-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 5H	42-479-40864	8-Apr-10
La Salle	Tidal Petroleum Inc.	STS No. 1H	42-283-32260	8-Apr-10
Dimmit	Anadarko E&P Company LP	Rogers Dentonio Ranch No. 2H	42-127-33679	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 2H	42-479-40865	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 3H	42-479-40866	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 16H	42-479-40869	9-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 4H	42-479-40867	12-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 6H	42-479-40868	12-Apr-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 9H	42-283-32262	13-Apr-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 2H ST	42-283-32225	15-Apr-10
Zavala	Petrohawk Operating Company	Mustang Ranch C No. 1H	42-507-32755	15-Apr-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 15H	42-479-40878	15-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 13H	42-127-33680	16-Apr-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 2	42-283-32261	19-Apr-10
McMullen	San Isidro Development Co, L.C.	Epley No. 1H	42-311-34217	19-Apr-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 6H	42-311-34219	19-Apr-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 14	42-479-40883	20-Apr-10
Webb	Rosetta Resources Operating LP	Santa Cruz No.2	42-479-40881	20-Apr-10
Webb	Lewis Petro Properties, Inc.	Stewart Trust State No. 6H	42-479-40884	21-Apr-10
La Salle	Rosetta Resources Operating LP	Springer Ranch No.2	42-283-32263	21-Apr-10
Zavala	Strand Energy L.C.	Avery Addison No. 1H	42-507-32757	21-Apr-10
McMullen	Union Gas Operating Company	Martin-Mason Rch Unit A No. 1H	42-311-34220	21-Apr-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 5H	42-311-34218	22-Apr-10
Webb	Chesapeake Operating, Inc.	PGE Browne No. 2H	42-479-40887	23-Apr-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 8016	42-479-40886	23-Apr-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 1026	42-479-40888	23-Apr-10
Webb	Rosetta Resources Operating LP	Santa Cruz No. 3	42-479-40885	23-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 1H	42-127-33681	26-Apr-10
Webb	El Paso E & P Company, L.P.	Briscoe-Nunley A No. 1H	42-479-40889	27-Apr-10
Atascosa	EOG Resources, Inc.	Little L & C No. 2H	42-013-34304	27-Apr-10
McMullen	Swift Energy Operating, LLC	Quintanilla Me-You EF No. 1H	42-311-34224	27-Apr-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 2H	42-479-40882	28-Apr-10
La Salle	Petrohawk Operating Company	Bellows-Meuth No. 1H	42-283-32264	28-Apr-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 2H	42-311-34223	28-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 4H	42-127-33684	29-Apr-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 4H	42-479-40891	29-Apr-10
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 2H	42-479-40893	29-Apr-10
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 4H	42-283-32265	29-Apr-10
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 5H	42-283-32266	29-Apr-10
La Salle	Chesapeake Operating, Inc.	Brownlow No. 1H	42-283-32270	30-Apr-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 3H	42-283-32271	30-Apr-10

May 2010- Eagle Ford Shale

89. On May 5, 2010, Talisman Energy Inc. announced their agreement with Common Resources, LLC to acquire 37,000 net acres in the Eagle Ford Shale play for \$360 million. The undeveloped acreage was located in La Salle and McMullen counties. Analysts attribute the unit value of \$9,730 per acre to all of the undeveloped acreage in the transaction. The transaction closed on May 19, 2010. A significant part of the Common Resources, LLC and Talisman Energy Inc. deal involved oil and gas leases under the *Washburn Ranch*. A map of the above referenced acreage follows:



According to Schedule 2.7, Page 3 of the Asset Purchase Agreement between II Common, LP and Talisman Energy USA, Inc., the allocated values to the undeveloped parts of two oil and gas leases that included rights to the Eagle Ford Shale under the *Washburn Ranch* follow:

<u>Common Lease No.</u>	<u>Lessor</u>	<u>Net Acres Per Lease</u>	<u>Allocated Value \$</u>
TX-041311-001 (Part of Petrohawk STS D Lease dated December 12, 2008)	South Texas Syndicate, a liquidating trust by JPMorgan Chase Bank, N.A., Trustee	7,519.17	78,294,000

<u>Common Lease No.</u>	<u>Lessor</u>	<u>Net Acres Per Lease</u>	<u>Allocated Value \$</u>
TX-042283-001 (Part of Whittier STS Lease dated February 1, 2009 from the June 13, 2007 Geophysical and Lease Option Agreement)	South Texas Syndicate, a liquidating trust by JPMorgan Chase Bank, N.A., Trustee	5,945.46	132,564,900

The allocated value attributable to acreage from the December 12, 2008 Petrohawk STS D Lease was \$10,412.59 per acre. The allocated value attributable to acreage from the February 1, 2009 Whittier STS Lease was \$22,296.83 per acre.

90. According to the RRC, the forty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during May 2010, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 8H	42-127-33685	4-May-10
Dimmit	Anadarko E&P Company LP	South Spur State No. 2H	42-127-33686	4-May-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 34 Unit No. 1H	42-323-33351	4-May-10
La Salle	Petrohawk Operating Company	Gutierrez-Leyendecker No. 1H	42-283-32272	4-May-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 3H	42-479-40896	5-May-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 4H	42-479-40897	5-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 4H	42-311-34227	5-May-10
Webb	Escondido Resources II, LLC	Uvalde State No. 1H	42-479-40898	7-May-10
McMullen	Petrohawk Operating Company	Woodward G.U. No. 1H	42-311-34229	7-May-10
Webb	Laredo Energy LLC	State of Texas Hill Ranch No. 2H	42-479-40692	10-May-10
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 3H	42-479-40902	10-May-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -C- No. 2H	42-479-40899	10-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 3H	42-311-34230	10-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina North No. 1H	42-127-33687	13-May-10
Webb	Lewis Petro Properties, Inc.	N.D. Hachar Heirs No. 7H	42-479-40908	14-May-10
La Salle	Swift Energy Operating, LLC	Cardeen EF No. 1H	42-283-32274	14-May-10
La Salle	El Paso E & P Company, L.P.	Maltsberger No. 1H	42-283-32273	18-May-10
La Salle	Petrohawk Operating Company	Brown-Trusts No. 3H	42-283-32276	18-May-10
La Salle	Talisman Energy USA Inc.	STS No. 452H	42-283-32277	18-May-10
Dimmit	Anadarko E&P Company LP	Beinhorn Ranch No. 4H	42-127-33690	19-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 1H	42-127-33689	19-May-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 77 A No. 1HR	42-323-33353	20-May-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 5H	42-479-40918	20-May-10
Dimmit	Peregrine Petroleum LLC	Jred Ranch No. 3-1H	42-127-33691	20-May-10
McMullen	Chesapeake Operating, Inc.	Fox Creek Unit B No. 1H	42-311-34233	21-May-10
Webb	Lewis Petro Properties, Inc.	Booth Unocal -H- No. 62U	42-479-40925	21-May-10
Webb	Lewis Petro Properties, Inc.	Leyendecker-Hunter 1377 No. 1H	42-479-40923	21-May-10
La Salle	St. Mary Land & Exploration Co.	Briggs Ranch No. 1H	42-283-32278	21-May-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 3H	42-479-40929	21-May-10

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 4H	42-479-40924	21-May-10
McMullen	Swift Energy Operating, LLC	Y Bar EF No. 1H	42-311-34232	21-May-10
La Salle	Carrizo Oil & Gas Inc.	Mumme Ranch No. 10H	42-283-32281	24-May-10
La Salle	Carrizo Oil & Gas Inc.	Mumme Ranch No. 20H	42-283-32282	24-May-10
Dimmit	Chesapeake Operating, Inc.	JBGS No. 1H	42-127-33692	24-May-10
La Salle	Escondido Resources II, LLC	Seidel No.2H	42-283-32280	24-May-10
La Salle	Escondido Resources II, LLC	Seidel-Gonzalez No.1H	42-283-32279	24-May-10
Frio	Goodrich Petroleum Company	Frances B Shinner No.1 H	42-163-33413	24-May-10
La Salle	Carrizo Oil & Gas Inc.	Jasik Ranch No. 1H	42-283-32283	25-May-10
Dimmit	Anadarko E&P Company LP	Diamond H Ranch No. 2H	42-127-33693	26-May-10
Dimmit	Anadarko E&P Company LP	Diamond H State No. 2H	42-127-33694	26-May-10
La Salle	El Paso E & P Company, L.P.	Newman No. 1H	42-283-32284	26-May-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 8H	42-283-32275	26-May-10
Webb	Laredo Energy LLC	Rosa V. Benavides No. 7H	42-479-40932	26-May-10
La Salle	Petrohawk Operating Company	STS No. 6H	42-283-32285	26-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 2H	42-127-33696	27-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 2H	42-311-34236	27-May-10
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 3H	42-127-33695	28-May-10

91. Royal Dutch Shell plc acquired the rights to the oil and gas within the Eagle Ford Shale under the *Piloncillo Ranch* on May 12, 2010. The *Piloncillo Ranch*, owned by Daniel J. Harrison, III and family, covers approximately 106,000 acres of land in Dimmit, Webb and La Salle Counties, Texas. An excerpt from the June 3, 2010 issue of *A & D Transaction* follows:

Shell also acquired 100,000 acres in the Texas Eagle Ford Shale for a reported \$1.0 billion. The leasehold, located in southeast Dimmit County, brings Shell's Eagle Ford holdings to 250,000 net acres.

92. According to the Memorandum of Oil and Gas Lease filed for record with the County Clerk of Dimmit County on June 16, 2010, the Oil and Gas Lease from Harrison Interests, Ltd. to P Ranch Working Interest, LLC was executed on May 12, 2010. The oil and gas lease covered the depths below the top of the Austin Chalk formation under 105,937.48 acres of land. The address on the Memorandum for the Lessee, P Ranch Working Interest, LLC, was "c/o SWEPI LP, 200 N. Dairy Ashford, Houston, Texas 77079". SWEPI LP operates as a subsidiary of Royal Dutch Shell plc.

93. On May 28, 2010, Derrick Petroleum Services reported that Royal Dutch Shell plc paid \$9,434 per acre to Cathexis Oil & Gas, LLC for 106,000 net acres of "highly contiguous

acreage in the Eagle Ford Shale play in Harrison Ranch, Dimmit, La Salle and Webb counties of Texas.” Daniel J. Harrison, III and family own Cathexis Oil & Gas, LLC.

June 2010- Eagle Ford Shale

94. On June 14, 2010, Kohlberg Kravis Roberts & Co. (KKR) and Hilcorp Energy Company announced the agreement for KKR to invest up to \$400 million in Hilcorp Resources, LLC, a newly formed partnership created to own and develop Hilcorp’s oil and gas properties located in the Eagle Ford Shale trend of South Texas. The newly formed company will develop certain acreage within the Eagle Ford Shale, located in a two hundred mile long area in South Central Texas. According to the press release, the Eagle Ford Shale represents a promising energy development in North America. One of the newest shale plays in the country, the Eagle Ford Shale has become an increasingly attractive area of interest for oil and gas companies given that it benefits from a favorable (oil-weighted) commodity profile and is located proximate to existing oil and gas infrastructure and liquids product markets. Since there were no proved developed reserves included in the transaction, analysts ascribe the entire deal value to 40,000 net undeveloped acres at \$10,000 per acre.

95. On June 24, 2010, Reliance Industries Limited announced their agreement to enter into a joint venture with Pioneer Natural Resources Company. Reliance paid \$1.315 billion for its implied share of 118,350 net acres within the Eagle Ford Shale Trend. The consideration included cash payments of \$263 million and deferred payments of \$1.052 billion associated with a carry arrangement. Analysts attribute the unit value of \$10,027 per acre to the undeveloped acreage.

96. According to the RRC, the fifty-three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the Eagle Ford Shale trend, issued during June 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Webb	Lewis Petro Properties, Inc.	Jackson Vestal No. 1H	42-479-40938	1-Jun-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- GUI No. 5H	42-479-40939	1-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 3H	42-127-33699	2-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 4H	42-127-33700	2-Jun-10
Webb	Anadarko E&P Company LP	Stanley Ranch No. 2H	42-479-40940	2-Jun-10
Webb	Anadarko E&P Company LP	Worthey Ranch No. 2H	42-479-40941	2-Jun-10
Dimmit	Chesapeake Operating, Inc.	Pena Creek I No. 1H	42-127-33701	2-Jun-10
Dimmit	Newfield Exploration Company	Ferguson-McKnight 526 No. 1H	42-127-33698	2-Jun-10
La Salle	St. Mary Land & Exploration Co.	Hubbard Ranch No. 1H	42-283-32286	2-Jun-10
La Salle	Chesapeake Operating, Inc.	C5 No. 1H	42-283-32287	3-Jun-10
La Salle	Chesapeake Operating, Inc.	Edwards No. 1H	42-283-32288	3-Jun-10
Dimmit	Chesapeake Operating, Inc.	Pena Creek III No. 1H	42-127-33702	3-Jun-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 7H	42-479-40936	8-Jun-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 8H	42-479-40937	8-Jun-10
La Salle	Petrohawk Operating Company	Gutierrez-Leyendecker No. 2H	42-283-32290	8-Jun-10
Dimmit	Newfield Exploration Company	CMWW B 36 No. 1H	42-127-33703	9-Jun-10
Maverick	Newfield Exploration Company	Comanche 5 No. 1H	42-323-33354	9-Jun-10
La Salle	Tidal Petroleum Inc.	Basham No. 1H	42-283-32291	9-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 3H	42-127-33705	10-Jun-10
Frio	Cabot Oil & Gas Corporation	Arminius Energy Trust No. 1	42-163-33415	10-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 4H	42-127-33706	11-Jun-10
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 8H	42-479-40952	11-Jun-10
Maverick	Anadarko E&P Company LP	Cage No. 4H	42-323-33355	14-Jun-10
La Salle	Petrohawk Operating Company	STS-B No. 2H	42-283-32268	14-Jun-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 2020	42-479-40951	14-Jun-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 3	42-283-32289	15-Jun-10
Dimmit	Rosetta Resources Operating LP	Light Ranch No.1	42-127-33707	15-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 2H	42-127-33708	17-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 5H	42-479-40953	17-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 3H	42-127-33709	18-Jun-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No.3	42-479-40954	18-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 7H	42-479-40957	18-Jun-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 6H	42-479-40955	18-Jun-10
Frio	Goodrich Petroleum Company	GPC Pan Am B No. 1H	42-163-33413	21-Jun-10
Frio	Goodrich Petroleum Company	GPC Pan Am C No. 1H	42-163-33416	21-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 6H	42-479-40956	21-Jun-10
La Salle	Riley Exploration LLC	Joey Smith No. 3H	42-283-32295	22-Jun-10
McMullen	Chesapeake Operating, Inc.	Martin Mason B No. 1H	42-311-34239	23-Jun-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 5H	42-283-32299	23-Jun-10
La Salle	Escondido Resources II, LLC	Schubert-Gaiser Unit 1 No. 1H	42-283-32296	23-Jun-10
La Salle	Escondido Resources II, LLC	Schubert-Gaiser Unit 1 No. 2H	42-283-32297	23-Jun-10
Webb	Lewis Petro Properties, Inc.	Gonzalez-State 1457 GU No. 1H	42-479-40958	23-Jun-10
La Salle	Petrohawk Operating Company	STS No. 8H	42-283-32298	23-Jun-10
Dimmit	Newfield Exploration Company	CMWW A 42 No. 1H	42-127-33712	24-Jun-10
Webb	Escondido Resources II, LLC	Laurel No. 1H	42-479-40961	25-Jun-10
La Salle	Hunt Oil Company	STS A- 1391 No. 1H	42-283-32300	25-Jun-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 2H	42-127-33713	25-Jun-10
Webb	Lewis Petro Properties, Inc.	Fasken State 1430 GU No. 1H	42-479-40959	25-Jun-10
Webb	Lewis Petro Properties, Inc.	Youngman GU No. 1H	42-479-40960	25-Jun-10
La Salle	Matador Production Company	JCM Jr Minerals No. 1H	42-283-32301	28-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 4H	42-479-40963	29-Jun-10

County	Operator Name	Well Name	API No.	Drilling Permit
McMullen	Chesapeake Operating, Inc.	Martin Mason C No. 1H	42-311-34241	30-Jun-10
La Salle	Lewis Petro Properties, Inc.	Lyssey Family No. 2H	42-283-32302	30-Jun-10

97. A summary of monthly condensate production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres of land follows:

Production Month	STS No.1 RRCID 244785 Bbls	STS No.2H RRCID 254322 Bbls	STS No.3H RRCID 251818 Bbls	STS No.4H RRCID 254479 Bbls
Nov-09	1,333	2,683	2,354	4,697
Dec-09	806	2,231	2,013	2,890
Jan-10	1,166	2,145	1,256	2,213
Feb-10	662	1,346	1,279	1,968
Mar-10	1,295	1,279	1,313	1,846
Apr-10	835	1,108	1,097	1,647
May-10	815	934	977	1,433
Jun-10	749	934	913	1,240

98. A summary of monthly natural production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease follows:

Production Month	STS No.1 RRCID 244785 Mcf	STS No.2H RRCID 254322 Mcf	STS No.3H RRCID 251818 Mcf	STS No.4H RRCID 254479 Mcf
Nov-09	49,500	98,297	53,243	172,075
Dec-09	46,525	71,218	55,058	118,598
Jan-10	44,084	56,599	51,311	76,817
Feb-10	40,527	46,099	40,345	67,292
Mar-10	44,138	44,228	39,946	64,372
Apr-10	38,249	36,570	32,046	53,478
May-10	36,343	32,315	29,197	47,605
Jun-10	34,565	29,524	25,938	38,332

99. A summary of monthly natural gas and condensate production from a well operated by Petrohawk Operating Company on the May 27, 2008 STS East Lease that covered 12,772.9325 acres of land follows:

	STS-B No.1H	STS-B No.1H
	RRCID	RRCID
Production Month	254484 Mcf	254484 Bbls
Nov-09	119,699	12,698
Dec-09	69,713	7,328
Jan-10	48,242	5,840
Feb-10	39,205	4,699
Mar-10	39,572	4,658
Apr-10	34,057	3,829
May-10	32,031	3,310
Jun-10	28,991	3,722

Activity on the Washburn Ranch

100. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 12,073.475 Acre May 27, 2008 STS West Lease colored “magenta”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STS	1	42-283-32144	244785
STS	2H	42-283-32203	254322
STS	3H	42-283-32204	251818
STS	4H	42-283-32206	254479
STS	5H	42-283-33373	Pending
STS	6H	42-283-32285	258270
STS	7H	42-283-33365	268485
STS	8H	42-283-32298	258421
STS	9H	42-283-32316	261253
STS	10H	42-283-32949	267681
STS	11H	42-283-32597	260601
STS	13H	42-283-32606	260605

101. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 12,772.9325 Acre May 27, 2008 STS East Lease colored “light blue”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STSB	1H	42-283-32198	254484
STS B	2H	42-283-33717	Pending
STSB	3H	42-283-33713	Pending
STSB	4H	42-283-33714	Pending

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STSB	5H	42-283-33356	268926
STS B	6H	42-283-32652	261321
STSB	8H	42-283-32608	260603
STSB	13H	42-283-32992	266333

102. Talisman Energy USA Inc. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 9,416.785 Acre Geophysical and Lease Option Agreement, dated June 13, 2007 (January 29, 2009 STS BlackBrush Lease) colored “light brown”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
South Texas Syndicate	291H	42-283-32205	255011
South Texas Syndicate	292B	42-283-32726	268134
South Texas Syndicate	293B	42-283-32727	267023
South Texas Syndicate	451C	42-283-32376	260340
South Texas Syndicate	451H	42-283-32188	254365
South Texas Syndicate	452B	42-283-32342	260588
South Texas Syndicate	452C	42-283-32387	268314
South Texas Syndicate	452H	42-283-32277	258206
South Texas Syndicate	453C	42-283-32386	268310
South Texas Syndicate	454C	42-283-32388	268315
South Texas Syndicate	E1H	42-283-33212	269294
South Texas Syndicate	E2H	42-283-33870	Pending
South Texas Syndicate	G2H	42-283-32996	269096
South Texas Syndicate	G5H	42-283-33020	269092
South Texas Syndicate	M1H	42-283-33277	269249
South Texas Syndicate	7541H	42-283-32312	Pending
South Texas Syndicate	A2H	42-283-33296	Pending

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
South Texas Syndicate	H2H	42-283-33545	Pending
South Texas Syndicate	Y2H	42-283-33386	Pending

103. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 18,473.04 Acre December 12, 2008 STS A Lease colored in “brown outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A	1H	42-283-32191	252769
STS A	4H	42-283-32255	260176

104. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 16,903.43 Acre July 16, 2008 STS C Lease colored in “orange outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS C	4H	42-311-34534	262201
STS C	5H	42-311-34651	266249
STS C	6H	42-311-34694	267484
STS C	9H	42-311-35018	270101
STS C	11H	42-311-35024	269932

105. Hunt Oil Company currently operates the following well, classified in the Eagleville (Eagle Ford-1) Field, located on lands described in the 3,845.31 Acre December 12, 2008 STS North Lease colored in “blue outline” and pooled with a Northeast miscellaneous lease colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS North Unit 2	1H	42-311-35239	Pending

106. Talisman Energy USA Inc. currently operates the following well, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 15,456.66 Acre December 12, 2008 STS D Lease colored in “green outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A	361H	42-311-34158	255968

107. Pioneer Natural Resources USA, Inc. currently operates the following oil wells, classified in the Eagleville (Eagle Ford-1) Field, located on lands described in the 1940 H.R. Cullen STS Oil and Gas Leases colored in “light green”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
Washburn Ranch 1	1H	42-283-32819	16067
Washburn Ranch 1	2H	42-283-32849	16067

108. BHP Billiton Pet (TXLA OP) Co. currently operates the following two wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the December 12, 2008 STS A Lease and pooled with mineral classified tracts, each unit colored half “white”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A Kennedy-State Unit 1	1H	42-283-33190	267906
STS A Klauss-State Unit 1	1H	42-283-32684	265078

109. Hunt Oil Company currently operates the following oil wells, classified in the Eagleville (Eagle Ford-1) Field, located on lands in various leases executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A - 692	1H	42-311-34601	15804
STS A - 692	2H	42-311-34650	15804
STS A - 692	3H	42-311-35019	15804
STS A - 692	4H	42-311-35326	Pending
STS A - 1391	1H	42-283-32300	15678
STS A - 1391	2H	42-283-32648	15678
STS A - 1391	3H	42-283-32872	15678
STS A - 1391	4H	42-283-32971	15678
STS A - 1391	5H	42-283-33006	15678

110. Tidal Petroleum, Inc. currently operates the following well, classified in the Briscoe Ranch (Eagleford) Field, located on lands in a lease executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS	1H	42-283-32260	262866

111. Tidal Petroleum, Inc. currently operates the following well, classified in the Eagleville (Eagle Ford-1) Field, located on lands in a lease executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS	2H	42-283-32778	265231

112. There are no wells completed in the Eagle Ford Shale within the southeastern “gray” area.

Dollar Damages

113. In my opinion, the consideration and other monetary benefits related to the oil and gas leases, executed after May 27, 2008, did not reflect the market at the time JPMorgan should have leased certain minerals under the *Washburn Ranch*. The proper exercise of due diligence

would have resulted in oil and gas leases, granted by JPMorgan on behalf of the South Texas Syndicate Trust, that covered approximately 37,500 acres of minerals under the *Washburn Ranch* in November 2009. The market in November 2009 should have yielded a bonus of \$1,200 per net mineral acre. Therefore, the dollar damages suffered by the STS Beneficiaries, as a result of JPMorgan's mismanagement by entering into oil and gas lease transactions with Petrohawk Properties, LP after May 27, 2008, would be the difference between the bonus paid in transactions that reflected the November 2009 market for oil and gas leases in the Eagle Ford Shale trend and the actual dollars received by JPMorgan for bonus. The damage calculation, without adjustment, follows:

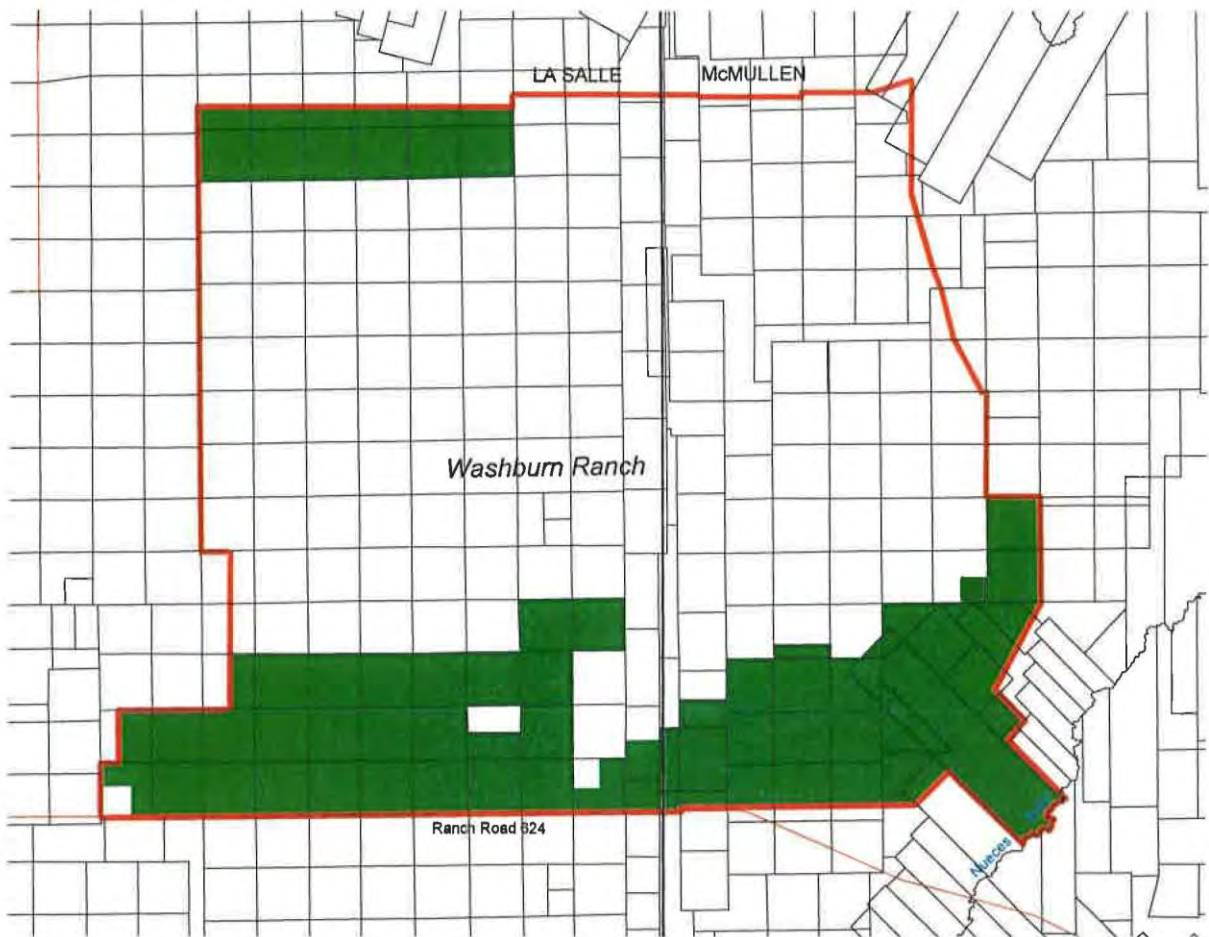
Market Price in November 2009	\$45,000,000
(\$1,200 per acre x 37,500 acres)	

114. In my opinion, the consideration and other monetary benefits related to the oil and gas leases, executed after May 27, 2008, did not reflect the market at the time JPMorgan should have leased certain minerals under the *Washburn Ranch*. The proper exercise of due diligence would have resulted in oil and gas leases, granted by JPMorgan on behalf of the South Texas Syndicate Trust, that covered approximately 41,400 acres of minerals under the *Washburn Ranch* in June 2010. The market in June 2010 should have yielded a bonus of \$9,000 per net mineral acre. Therefore, the dollar damages suffered by the STS Beneficiaries, would be the difference between the bonus paid in transactions that reflected the June 2010 market for oil and gas leases in the Eagle Ford Shale trend and the actual dollars received by JPMorgan for bonus. The damage calculation, without adjustment, follows:

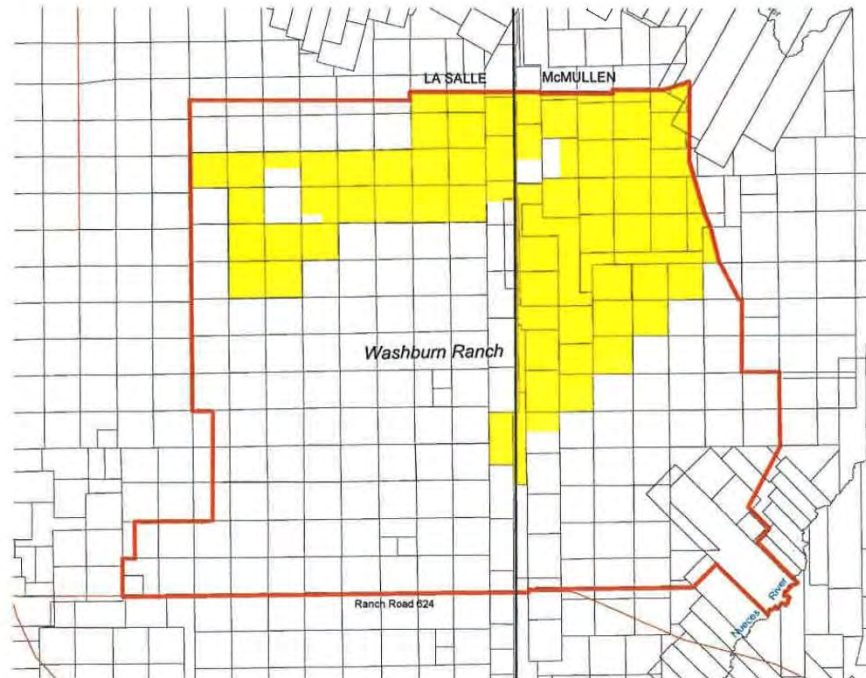
The damage calculation, without adjustment, follows:

Market Price in June 2010	\$372,600,000
(\$9,000 per acre x 41,400 acres)	

115. A plat that depicts the approximate location of minerals under the *Washburn Ranch* that should have been leased in November 2009 follows:



116. A plat that depicts the approximate location of minerals under the *Washburn Ranch* that should have been leased in June 2010 follows:



117. The foregoing damage analysis that resulted in additional bonuses from oil and gas leases executed after May 27, 2008 was based on comparable transactions. The November 2009 oil and gas lease transaction that involved minerals under the southern part of the *Washburn Ranch* was based, in part, on the actual leases of certain minerals under the *Dos Hermanos Ranch* and *Browne Ranch* from PGE Mineral Properties, Ltd. to Chesapeake Exploration, L.L.C., as described in paragraph 67 of my Expert Report. The June 2010 oil and gas lease transaction that involved minerals under the northern part of the *Washburn Ranch* was based, in part, on the actual leases of certain minerals under the *Piloncillo Ranch* from Harrison Interests, Ltd. to P Ranch Working Interest, LLC, as described in paragraphs 92, 93 and 94 of my Expert Report. The total damages that result from JPMorgan's failure to secure bonuses that reflect the market were determined to be \$417,600,000. These damages should be reduced by

the actual bonuses received and any applicable fees related to the proper exercise of the management of the minerals leased in the above referenced transactions.

118. In my opinion, agreements related to the use of water under the *Washburn Ranch* should have provided that payments are due for water used to drill and frac wells located on lands covered by the oil and gas leases executed by JPMorgan. The market price for drilling with fresh water was \$1.50 per drilled foot. The market price for frac water used in fracture stimulations was \$0.50 per barrel. Therefore, the dollar damages suffered by the STS Beneficiaries as a result of JPMorgan's failure to provide for payments on fresh water in agreements related to the oil and gas leases would be the value of the lost payments for water at market rates. The calculation of damages, loss of payments due for water used to drill and frac wells on the *Washburn Ranch*, follows:

Original Operator	Lease Name	Well	Completion	Footage Feet	Footage Water Charges \$	Frac Water Bbls	Frac Water Charges \$	Damages \$
Petrohawk	STS-Palmert 944	1H	21-Jun-09	11,058	16,587	185,098	92,549	109,136
Petrohawk	STS A	4H	5-Mar-11	5,070	7,605	95,051	47,526	55,131
Petrohawk	STS A Kennedy-State Unit 1	1H	17-Apr-13	9,895	14,843	71,667	35,834	50,676
Petrohawk	STS A Klauss-State Unit 1	1H	13-Nov-11	10,290	15,435	66,711	33,356	48,791
Petrohawk	STS C	4H	14-Oct-11	4,370	6,555	75,312	37,656	44,211
Petrohawk	STS C	5H	28-Mar-12	10,197	15,296	72,997	36,499	51,794
Petrohawk	STS C	6H	25-Sep-12	4,806	7,209	86,793	43,397	50,606
Petrohawk	STS C	9H	1-Dec-12	4,860	7,290	85,887	42,944	50,234
Petrohawk	STS C	11H	25-Feb-13	4,818	7,227	85,887	42,944	50,171
Petrohawk	STS	1	21-Oct-08	6,942	10,413	85,887	42,944	53,357
Petrohawk	STS	2H	6-Oct-09	4,220	6,330	195,000	97,500	103,830
Petrohawk	STS	3H	17-Sep-09	4,150	6,225	85,887	42,944	49,169
Petrohawk	STS	4H	21-Oct-09	4,215	6,323	240,000	120,000	126,323
Petrohawk	STS	5H	26-Nov-12	4,145	6,218	91,128	45,564	51,782
Petrohawk	STS	6H	5-Nov-10	9,684	14,526	120,026	60,013	74,539
Petrohawk	STS	7H	22-Dec-12	4,180	6,270	69,268	34,634	40,904
Petrohawk	STS	8H	23-Nov-10	9,821	14,732	109,981	54,991	69,722
Petrohawk	STS	9H	23-Jul-11	4,192	6,288	91,256	45,628	51,916
Petrohawk	STS	10H	16-Aug-12	4,107	6,161	69,704	34,852	41,013
Petrohawk	STS	11H	24-Jul-11	4,190	6,285	117,931	58,966	65,251
Petrohawk	STS	13H	27-Apr-12	4,186	6,279	88,578	44,289	50,568
Petrohawk	STS B	1H	3-Nov-09	4,150	6,225	85,887	42,944	49,169

Original Operator	Lease Name	Well	Completion	Footage Feet	Footage Water Charges \$	Frac Water Bbls	Frac Water Charges \$	Damages \$
Petrohawk	STS B	2H	NA	4,990	7,485	NA	NA	7,485
Petrohawk	STS B	3H	NA	5,014	7,521	NA	NA	7,521
Petrohawk	STS B	4H	NA	4,998	7,497	NA	NA	7,497
BHP	STS B	5H	28-Apr-13	4,251	6,377	75,528	37,764	44,141
Petrohawk	STS B	6H	21-Oct-11	4,091	6,137	84,529	42,265	48,401
Petrohawk	STS B	8H	18-Oct-11	4,182	6,273	60,058	30,029	36,302
Petrohawk	STS B	13H	27-Apr-12	4,324	6,486	66,349	33,175	39,661
Common	South Texas Syndicate	291H	4-Nov-09	5,092	7,638	113,755	56,878	64,516
Talisman	South Texas Syndicate	292B	13-Feb-12	10,677	16,016	113,755	56,878	72,893
Talisman	South Texas Syndicate	293B	13-Feb-12	6,264	9,396	112,136	56,068	65,464
Talisman	South Texas Syndicate	451C	22-Sep-11	6,572	9,858	112,136	56,068	65,926
Common	South Texas Syndicate	451H	3-Aug-09	NA	NA	NA	NA	NA
Talisman	South Texas Syndicate	452B	25-Mar-12	9,857	14,786	137,018	68,509	83,295
Talisman	South Texas Syndicate	452C	23-Sep-11	6,530	9,795	61,008	30,504	40,299
Talisman	South Texas Syndicate	452H	26-Apr-12	6,328	9,492	89,852	44,926	54,418
Talisman	South Texas Syndicate	453C	22-Sep-11	6,700	10,050	138,580	69,290	79,340
Talisman	South Texas Syndicate	454C	22-Sep-11	9,116	13,674	95,198	47,599	61,273
Talisman	South Texas Syndicate	E1H	28-Sep-12	5,665	8,498	136,371	68,186	76,683
Talisman	South Texas Syndicate	E2H	26-Sep-13	5,705	8,558	86,601	43,301	51,858
Talisman	South Texas Syndicate	G2H	8-Aug-12	5,595	8,393	100,960	50,480	58,873
Talisman	South Texas Syndicate	G5H	8-Aug-12	5,600	8,400	57,112	28,556	36,956
Talisman	South Texas Syndicate	M1H	29-Sep-12	5,725	8,588	112,833	56,417	65,004
Talisman	South Texas Syndicate	7541H	18-Jun-13	5,728	8,592	92,357	46,179	54,771
Talisman	South Texas Syndicate	A2H	22-Apr-13	5,650	8,475	124,772	62,386	70,861
Talisman	South Texas Syndicate	H2H	29-Apr-13	5,680	8,520	84,844	42,422	50,942
Talisman	South Texas Syndicate	Y2H	18-Apr-13	5,685	8,528	77,845	38,923	47,450
Common	STS A	361H	2-Feb-10	10,109	15,164	NA	NA	15,164
Pioneer	Washburn Ranch 1	1H	19-Mar-12	4,543	6,815	80,470	40,235	47,050
Pioneer	Washburn Ranch 1	2H	19-Mar-12	4,506	6,759	74,650	37,325	44,084
Hunt	STS North Unit 2	1H	NA	NA	NA	NA	NA	NA
Hunt	STS A - 692	1H	16-Dec-11	6,546	9,819	83,898	41,949	51,768
Hunt	STS A - 692	2H	15-Dec-11	6,550	9,825	51,857	25,929	35,754
Hunt	STS A - 692	3H	25-Feb-13	6,582	9,873	229,216	114,608	124,481
Hunt	STS A - 692	4H	27-Jul-13	6,330	9,495	231,830	115,915	125,410
Hunt	STS A - 1391	1H	25-Oct-10	10,307	15,461	52,119	26,060	41,520
Hunt	STS A - 1391	2H	9-Sep-11	6,025	9,038	77,532	38,766	47,804
Hunt	STS A - 1391	3H	10-May-12	6,200	9,300	139,343	69,672	78,972
Hunt	STS A - 1391	4H	25-Apr-12	6,232	9,348	141,422	70,711	80,059
Hunt	STS A - 1391	5H	12-Oct-12	6,130	9,195	211,665	105,833	115,028
Tidal	STS	1H	15-Nov-10	4,191	6,287	47,500	23,750	30,037
Tidal	STS	2H	26-Apr-12	4,264	6,396	59,190	29,595	35,991

The dollar damages suffered by the STS Beneficiaries that relate to payments never received for water total \$3,503,233.

119. Furthermore, the STS Beneficiaries have lost royalty as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The fair market value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank" days, leases with large acreage amounts, and agreements to group individual leases into "Companion Leases" has resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*. I plan to timely supplement my Expert Report prior to trial to provide these additional damage amounts.

120. This affidavit also contains my expert opinions on damages related to the Plaintiffs' claims of diminished fair market value of certain royalty interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the "South Texas Syndicate Trust"), under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the "STS Beneficiaries") against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate Trust, and Gary P. Aymes (collectively referred to herein as "JPMorgan"). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the mineral interests owned by the South Texas Syndicate Trust. Certain dollar damages that result from JPMorgan's failure to properly manage the minerals of the South Texas Syndicate Trust can be computed as the difference in value at January 1, 2013, based on the actual engineering work done by Ryder Scott Company, L.P. for JPMorgan, and the value of royalty attributable to the South Texas

Syndicate Trust had JPMorgan's negotiations of oil and gas leases resulted in appropriate acreage sizes, satisfactory primary terms and adequate continuous development provisions.

121. Ryder Scott Company, L.P. prepared a report for JPMorgan on the estimated recoverable hydrocarbon reserves, contingent resources and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. In the March

122. 28, 2013 cover letter to JPMorgan that accompanied the report, Ryder Scott Company, L.P. described their estimate of proved, probable and possible reserves, future production and income and their estimate of contingent resources, future production and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. The reserves and contingent resource volumes were based on the definitions and disclosure guidelines contained in the Petroleum Resources Management System, promulgated by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

123. At the request of JPMorgan, Ryder Scott Company, L.P. used PHDWin Petroleum Economic Evaluation Software to establish the reserves and contingent resources, future production, and income attributable to the royalty interests owned by the South Texas Syndicate Trust in the *Washburn Ranch*. The PHDWin software is the copyrighted program of TRC Consultants, L.C.

124. According to Ryder Scott Company, L.P., the operators of oil and gas leases within the Washburn Ranch supplied the development plans and undeveloped well locations to JPMorgan. In the petroleum engineering study conducted by Ryder Scott Company, L.P. for JPMorgan, consideration was given to the actual terms and provisions reflected in oil and gas leases that cover minerals owned by the South Texas Syndicate Trust. However, the

development plans and undeveloped well locations provided by oil and gas lease operators to JPMorgan and used by Ryder Scott Company, L.P. do not reflect the drilling schedule, in terms of timing, that would have resulted from properly managed minerals had JPMorgan acted in the best interest of the STS Beneficiaries.

125. Furthermore, the STS Beneficiaries have sustained damages as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the continuous development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank" days, leases with large acreage amounts, and agreements to group individual leases into "Companion Leases" have resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*.

126. The methodology employed by Ryder Scott Company, L.P. to value the royalty at January 1, 2013 should be used to value the royalty attributable to the South Texas Syndicate Trust that would result from a drilling schedule derived from prudent lease provisions. The economic factors originally used by Ryder Scott Company, L.P. should remain constant in the valuation that utilizes a drilling schedule with acceptable continuous development lease provisions. In fact, the PHDWin Petroleum Economic Evaluation Software should be used to establish the reserves and contingent resources, future production, and income attributable to royalty in the *Washburn Ranch* based on the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust. In my opinion, the difference in the value derived from the drilling schedule anticipated by Ryder Scott

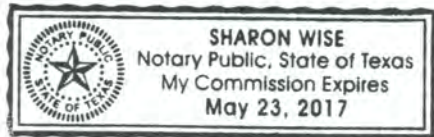
Company, L.P. and reflected in the existing report and the value derived from the drilling schedule that results from prudent continuous development lease provisions would be additional dollar damages sustained by the STS Beneficiaries in this matter.

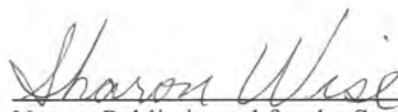
126. I do not own a beneficial interest in the South Texas Syndicate Trust and have not been employed on a contingent basis. Compensation for my work in the above referenced matter has been made on an hourly basis at the rate of \$385.00 per hour. Expenses have also been reimbursed at their actual cost. Compensation for future work in connection with the subject matter, including testimony at trial, will be made on the same basis.

FURTHER AFFIANT SAYETH NOT.


CHARLES E. GRAHAM, III

Subscribed and sworn to before me, the undersigned notary, on February 27, 2014.




Notary Public in and for the State of Texas

My Commission expires:

5-23-2017

TAB 5

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

v.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

SUPPLEMENTAL AFFIDAVIT OF JAMES K. O'CONNELL

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

On this day before me personally appeared James K. O'Connell, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

2. Prudent and Competent Trust Management. Prior to the time that Petrohawk approached JP Morgan regarding the Trust property, Petrohawk had publically announced that it had transformed its operations into being primarily in shale development. In 2008, Petrohawk approached JP Morgan expressing an interest in leasing all or a significant portion of the mineral interests that were available or could become available by the lapse of existing leases. At that point clearly Petrohawk was very serious about entering into leases for all or a significant portion of the mineral interests, and given Petrohawk's intent to focus on drilling opportunities in shale

formations similar to the Eagle Ford, JP Morgan should have understood the value of a mineral interest of the size and scope of the one held in the Trust, not only to Petrohawk but potentially to other similar entities.

3. After being approached by Petrohawk, JP Morgan should have realized that Petrohawk's likely interest was in horizontal drilling shale resource plays. Ms. Ormond has admitted that she has experience in and knowledge of other shale developments and that she knew that in many of those other shale developments, bonus payments on future leases rose significantly. Also, she should have realized that Petrohawk's interest in leasing the mineral interests likely could have led to other parties being interested in leasing portions of the mineral interests, including as a part of a competitive bidding environment. After Petrohawk completed a successful well on Trust property, an additional 38,000 acres of Trust mineral interests remained available for lease; yet on the day after the public announcement of the successful well Ms. Ormond agreed with Petrohawk that she would recommend that JP Morgan lease this additional acreage to Petrohawk, which they did. Representatives of Petrohawk have admitted that one reason for their haste in trying to enter into additional leases of Trust property was their very real concern that bonus prices would likely increase significantly.

4. JP Morgan reported to the beneficiaries in September of 2008 that they had opportunities to lease the majority of the Trust's remaining land but were inclined to wait until after the first of 2009. This stated caution in entering into additional leases was prior to the announcement of the discovery well. In November of 2008, JP Morgan reported that the discovery well had been drilled commenting that it was very excited about the quality of the well and that the likelihood of additional wells being drilled seems very good. In spite of this stated caution to lease and their excitement over the quality of the discovery well, JP Morgan had

already committed to enter into three subsequent additional leases with Petrohawk on essentially the same terms, if not on less favorable terms for the Trust.

5. Section 117.005 of the Texas Uniform Prudent Investor Act provides that a trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. After the May Petrohawk leases and after the announcement of the discovery well, JP Morgan had an opportunity to exercise reasonable caution in the further leasing of the property, including further exploring the potential that other entities would be interested in the property. This could have permitted JP Morgan to enter into leases with more than one entity on potentially more favorable terms, rather than entering into leases with one entity for almost 80,000 acres on essentially the same terms, all within an eight month period. The evolving prospects of the Eagle Ford after the discovery well gave JP Morgan the opportunity to exercise caution and to diversify not only the entities that held leases but also the possible terms upon which the properties would be developed and upon how Trust would be compensated for its mineral interests. Exercising this caution in this evolving environment and process would not have required any speculation on the part of JP Morgan, just the use of prudent and reasonable caution.

6. Duty of Loyalty and Duty of Full Disclosure. Under Texas law and common law, the Defendants owe to the beneficiaries a strict duty of loyalty in administering the Trust. In addition, JP Morgan had a common law duty to keep the beneficiaries reasonably informed as to the status of the Trust administration and as to non-routine transactions having significant impact on the Trust and its beneficiaries. A trustee has the duty of providing beneficiaries with full disclosure of material information which may affect their interests, and the disclosure should be made in a timely manner that allows the beneficiaries to protect their interests.

7. Evidence suggests that JP Morgan engaged in a number of imprudent actions in connection with the management of the Trust property that ultimately provided substantial assistance to its commercial clients. This includes Hunt Oil Company in connection with approximately 10,300 acres of Trust property covered by four leases.

8. For the period from 2010 through 2012, Hunt Oil Company was a substantial commercial client of JP Morgan. Mr. Tompkins was the primary Bank officer responsible for the management of the Trust property during this period.

9. In 2010 Hunt Oil approached JP Morgan seeking amendments to the four leases to provide for lease term extensions, the right to pool acreage, retained acreage amendments and dramatically decreased drilling obligations. Hunt Oil made it clear to Mr. Tompkins that these lease amendments were important to Hunt Oil. When Hunt Oil did not get the response that they wanted, they made it clear to Mr. Tompkins that Hunt Oil did a great deal of business with JP Morgan and that senior level management of Hunt Oil were prepared, willing and anxious to make requests to their counterparts at JP Morgan to seek the amendments be expedited. A representative of Hunt Oil has testified that indeed that contact was made. Subsequently, JP Morgan agreed with Hunt Oil to the amendments for less than a reasonable level of compensation. These amendments were entered into even after lease bonus prices had escalated in many cases to nearly \$10,000. A prudent trustee would have enforced the original leases and potentially have the opportunity to market any relinquished acreage in 2010.

10. In January of 2012, Hunt Oil publically announced that it had divested 35% of its interest in its Eagle Ford holdings to Marubeni, a Japanese company. This transaction included the Trust acreage covered by the four leases. It is my understanding that the value placed on the mineral interests sold to Marubeni was approximately \$15,000 per acre. JP Morgan should have

known that these leases were a part of the Marubeni transaction as Marubeni's name was on the lease assignment signed by JP Morgan.

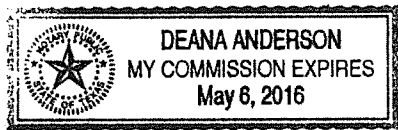
11. Two of the four leases were to expire by their terms in July of 2012, with the mineral interest then reverting to the Trust. In May 2012, Hunt Oil sought a 60 day extension of these two leases to prevent them from expiring and reverting to the Trust. Although Hunt Oil paid \$175,000 for extending one of the expiring leases, it allowed the other lease to expire. In August of 2012, however, JP Morgan agreed to renew the expired lease for approximately \$3.9 million. JP Morgan likewise agreed to grant extensions on the remaining two leases, which were not expiring for another year, for no compensation. JP Morgan agreed to this level of consideration in spite of the \$15,000 per acre value placed on the mineral interests.

12. Based upon evidence and testimony, I am of the opinion that JP Morgan failed to exercise a reasonable and sufficient level of care, skill and caution in the management of the Trust to ensure that it placed the interests of the Trust and its beneficiaries ahead of its own and to ensure that it made full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

FURTHER AFFIANT SAYETH NOT.

James K. O'Connell
James K. O'Connell

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.



Deana Anderson
Notary Public in and for the State of Texas

My commission expires:

May 6, 2016

TAB 6

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

SUPPLEMENTAL AFFIDAVIT OF ROBERT E. LEE, III

STATE OF TEXAS §
§
COUNTY OF DALLAS §

On this day before me personally appeared Robert E. Lee, III, known to me, who did
depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

2. This supplemental affidavit contains my opinions in this case as an expert witness relating to Plaintiffs' claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. As described in the Plaintiffs' Sixth Amended Petition, claims raised herein affecting the management of oil and gas on the properties at issue. My observations and conclusions are based upon my examination of the documents that have been

subject to discovery in this case. Discovery is not complete in this case; therefore, I reserve the right to review all additional discovery and the depositions of witnesses to modify, amplify or add to the conclusions arising out of the matters discussed herein.

Hunt Leases ~10,373 acres

3. The Defendant entered into certain oil and gas leases known as the Hunt Leases. The Hunt Leases encumber approximately 10,373 mineral acres owned by the South Texas Syndicate Trust, “STS” and administered by Defendant as Trustee. The acreage was leased by means of four (4) individual leases; Hunt STS A (2006), Hunt STS A-692 (2006), Hunt STS A-1391 (2006), and Hunt – Broad Oak STS (2007). No wells were drilled in the primary term of the lease(s) which expired in 2008, 2009 and 2010. A prudent mineral manager would not have amended these leases under the amendment terms granted by the Defendant. The Hunt Leases should have been relinquished to the lessor based on the terms of the original lease(s).

4. The Defendant’s actions to perpetuate the Hunt leases directly caused economic loss to “STS”. The lease terms for Hunt Leases (~10,373 acres) and the Talisman Lease (~9,417 acres) were negotiated under similar economic conditions, location, size, and lease terms. The Talisman Lease provided for a two-year seismic option with the right to lease acreage under a two-year primary term. The Defendant did not provide any amendments to the Talisman Lease. The Ryder Scott 2013 reserves estimate indicated Future Net Revenue and Net Present Value to the Talisman Lease of ~\$500,000,000 and ~\$245,000,000 (103 wells) and the Hunt Leases of ~\$210,000,000 and ~\$70,000,000 (76 wells). The well density for the Talisman Lease and Hunt Leases are ~90 acres and ~135 acres, respectively.

5. The Talisman Lease was formally the Common Resources Lease and formally the Blackbrush / Whittier Lease. Talisman acquired rights from Common Resources at ~\$22,300 per acre in January 2010.

6. The Hunt Leases were formally the Broad Oak Leases. The Defendant perpetuated these leases by granting lease amendments on July 16, 2009, extending the primary term some nine months subsequent to the public announcement by Petrohawk of its discovery well some ~four miles southwest of the Hunt Leases. The Defendant thereby prohibited the ability of “STS” to offer the acreage to the market at a future date. The July 2009 lease amendment allowed Broad Oak to sell the leasehold rights in the acreage to Hunt Oil Company and its partners for an undisclosed consideration.

7. The Defendant continued to add value to the Hunt acreage leasehold (2010-2012) by granting amendments to allow for pooling, nearly five times more retained acreage than density drilled by the Talisman Lease, additional primary term and reducing the annual wells drilled requirement for continuous operations by ~40%. The Defendant’s actions allowed Hunt and its partners to monetize the Defendant’s amendments by selling leasehold rights to Murphy Oil and Marubeni. The Marubeni leasehold sale by Hunt equated to an implied ~\$15,000 per acre for a minority non-operated working interest position.

8. In my opinion, the Hunt Leases did not require Lessor consent for the numerous leasehold assignments executed for the period 2007-2012, albeit a prudent mineral manager would seek advice from competent energy contract counsel. If the Defendant was not required to consent to the assignments of the Hunt leasehold, ratification of those leases unnecessarily occurred, thereby impeding the ability of the Lessor to seek termination of expired leases.

9. Marubeni acquired a leasehold interest in the Hunt Leases effective December 2011. The Defendant received notice of the leasehold sale January 5, 2012. Defendant obtained a hydrocarbon reserves report for “STS” from Ryder Scott in April 2011. May 2012 through August 2012 Defendant contemplated the amendments to the Hunt Leases. Testimony indicates Ryder Scott was not contacted to provide value guidance with regard to the 2012 amendments. Defendant amended Hunt Leases subsequent to the implied leasehold value of ~\$15,000 per acre as evidenced by the Marubeni leasehold transaction.

10. Defendants file – R76042002 dated August 15, 2012 (re: Proposal for Amendment of Oil and Gas Lease(s) – Hunt Oil Company, et al – Lessee) omits the Hunt partners - Murphy Oil and Hunt - Marubeni leasehold conveyances. Defendant authorized approval of the Hunt amendments on August 15, 2012. Defendant’s third-party counsel email dated August 21, 2012 suggests the amendment was in negotiation form with no final amendment agreed upon. In my opinion, the approval authorized by the Defendant’s oversight committee on August 15, 2012 served no legitimate purpose as all of the facts and issues were not properly disclosed and the final terms of the amendment were not known at the time of approval.

11. The timeline and fact pattern with regard to the aforementioned actions taken by the Defendant’s clearly demonstrate the Trustee’s unfettered desire to increase the value of the “STS” leasehold estate to the detriment of the “STS” leased-fee estate.

FURTHER AFFIANT SAYETH NOT.



Robert E. Lee, III

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.



Notary Public in and for the State of Texas

My commission expires:

1-27-16

TAB 7

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

SUPPLEMENTAL AFFIDAVIT OF CHARLES E. GRAHAM, III

STATE OF TEXAS §

S

COUNTY OF DALLAS

On this day before me personally appeared Charles E. Graham, III, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness. The documents referenced herein have been provided to Defendants. Copies of certain of the documents are in the Appendix or attached hereto.

2. This supplemental affidavit contains my expert opinions on damages related to the Plaintiffs' claims of diminished fair market value of certain royalty interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the "South Texas Syndicate Trust"), under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the "STS

Beneficiaries”) against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate Trust, and Gary P. Aymes (collectively referred to herein as “JPMorgan”). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the mineral interests owned by the South Texas Syndicate Trust. Certain dollar damages that result from JPMorgan’s failure to properly manage the minerals of the South Texas Syndicate Trust can be computed as the difference in value at January 1, 2013, based on the actual engineering work done by Ryder Scott Company, L.P. for JPMorgan, and the value of royalty attributable to the South Texas Syndicate Trust had JPMorgan’s negotiations of oil and gas leases resulted in appropriate acreage sizes, satisfactory primary terms and adequate continuous development provisions.

3. Ryder Scott Company, L.P. prepared a report for JPMorgan on the estimated recoverable hydrocarbon reserves, contingent resources and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. In the March 28, 2013 cover letter to JPMorgan that accompanied the report, Ryder Scott Company, L.P. described their estimate of proved, probable and possible reserves, future production and income and their estimate of contingent resources, future production and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. The reserves and contingent resource volumes were based on the definitions and disclosure guidelines contained in the Petroleum Resources Management System, promulgated by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

4. At the request of JPMorgan, Ryder Scott Company, L.P. used PHD*Win* Petroleum Economic Evaluation Software to establish the reserves and contingent resources, future

production, and income attributable to the royalty interests owned by the South Texas Syndicate Trust in the *Washburn Ranch* at January 1, 2013. The PHDWin software is the copyrighted program of TRC Consultants, L.C. I have also used PHDWin Petroleum Economic Evaluation Software to identify the incremental dollar values set out in a subsequent paragraph of my report. I have a copy of the PHDWin database generated by Michael F. Stell, Advising Senior Vice President of Ryder Scott Company, L.P., and others during their royalty valuation work at January 1, 2013 for JPMorgan. The PHDWin database, created by Ryder Scott Company, L.P., was used, in part, to quantify the additional royalty values set out in my report.

5. According to Ryder Scott Company, L.P., the operators of oil and gas leases within the Washburn Ranch supplied the development plans and undeveloped well locations to JPMorgan. In the petroleum engineering study conducted by Ryder Scott Company, L.P. for JPMorgan, consideration was given to the actual terms and provisions reflected in oil and gas leases that cover minerals owned by the South Texas Syndicate Trust. However, the development plans and undeveloped well locations provided by oil and gas lease operators to JPMorgan and used by Ryder Scott Company, L.P. do not reflect the drilling schedule, in terms of timing, that would have resulted from properly managed minerals had JPMorgan acted in the best interest of the STS Beneficiaries.

6. Furthermore, the STS Beneficiaries have sustained damages as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the continuous development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank"

days, leases with large acreage amounts, and agreements to group individual leases into “Companion Leases” have resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*.

7. The methodology employed by Ryder Scott Company, L.P. to value the royalty at January 1, 2013 was used to value the royalty attributable to the South Texas Syndicate Trust that would result from a drilling schedule derived from prudent lease provisions. The economic factors originally used by Ryder Scott Company, L.P. remained constant in the valuation that utilized a drilling schedule with acceptable continuous development lease provisions. In fact, the PHDWin Petroleum Economic Evaluation Software was used to establish the reserves and contingent resources, future production, and income attributable to royalty in the *Washburn Ranch* based on the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust.

8. Robert E. Lee, III, prepared the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust. An excerpt from a Robert E. Lee, III schedule that contrasts the original work done by Ryder Scott Company, L.P. for JPMorgan in their valuation at January 1, 2013 with the accelerated drilling plan that would have resulted from continuous development lease provisions secured by a prudent mineral manager follows:

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS 55H	2013	2010	PV-UD	BHP
STS 54H	2013	2010	PV-UD	BHP
STS 53H	2013	2010	PV-UD	BHP
STS 23H	2013	2010	PV-UD	BHP
STS 22H	2013	2010	PV-UD	BHP
STS 21H	2013	2010	PV-UD	BHP
STS-B 4H	2013	2010	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-B 3H	2013	2010	PV-UD	BHP
STS-B 2H	2013	2010	PV-UD	BHP
STS 84-1	2014	2010	PV-UD	BHP
STS 97-3	2014	2010	PV-UD	BHP
STS 97-2	2014	2010	PV-UD	BHP
STS 97-1	2014	2010	PV-UD	BHP
STS 110-1	2014	2010	PV-UD	BHP
STS 27H	2014	2010	PV-UD	BHP
STS 34H	2014	2010	PV-UD	BHP
STS 24H	2014	2010	PV-UD	BHP
STS-B 756-1H	2014	2010	PV-UD	BHP
STS-B 755-1H	2014	2010	PV-UD	BHP
STS-B 61H	2014	2010	PV-UD	BHP
STS-B 60H	2014	2010	PV-UD	BHP
STS-B 57H	2014	2010	PV-UD	BHP
STS-B 41H	2014	2010	PV-UD	BHP
STS-B 40H	2014	2010	PV-UD	BHP
STS-B 12H	2014	2010	PV-UD	BHP
STS 61H	2015	2010	PV-UD	BHP
STS 60H	2015	2010	PV-UD	BHP
STS 59H	2015	2010	PV-UD	BHP
STS 83-1	2015	2010	PV-UD	BHP
STS 98-2	2015	2010	PV-UD	BHP
STS 98-1	2015	2011	PV-UD	BHP
STS-B 43-2	2015	2011	PV-UD	BHP
STS-B 43-1	2015	2011	PV-UD	BHP
STS-B 32-2	2015	2011	PV-UD	BHP
STS-B 32-1	2015	2011	PV-UD	BHP
STS-B 1-1	2015	2011	PV-UD	BHP
STS 100-4	2016	2011	PV-UD	BHP
STS 100-3	2016	2011	PV-UD	BHP
STS 100-2	2016	2011	PV-UD	BHP
STS 100-1	2016	2011	PV-UD	BHP
STS 107-1	2016	2011	PV-UD	BHP
STS 83-2	2016	2011	PV-UD	BHP
STS-B 60-2	2016	2011	PV-UD	BHP
STS-B 60-1	2016	2011	PV-UD	BHP
STS-B 43-4	2016	2011	PV-UD	BHP
STS-B 43-3	2016	2011	PV-UD	BHP
STS 106-1	2017	2011	PV-UD	BHP
STS 108-1	2017	2011	PV-UD	BHP
STS 62H	2017	2011	PV-UD	BHP
STS 81-4	2017	2011	PV-UD	BHP
STS 81-3	2017	2011	PV-UD	BHP
STS 81-2	2017	2011	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS 81-1	2017	2011	PV-UD	BHP
STS-B 70-4	2017	2011	PV-UD	BHP
STS-B 70-3	2017	2011	PV-UD	BHP
STS-B 70-2	2017	2011	PV-UD	BHP
STS-B 70-1	2017	2011	PV-UD	BHP
STS 102-3	2018	2011	PB-UD	BHP
STS 102-2	2018	2011	PB-UD	BHP
STS 102-1	2018	2011	PB-UD	BHP
STS 101-4	2018	2012	PB-UD	BHP
STS 101-3	2018	2012	PB-UD	BHP
STS 101-2	2018	2012	PB-UD	BHP
STS 101-1	2018	2012	PB-UD	BHP
STS-B 71-3	2018	2012	PB-UD	BHP
STS-B 71-2	2018	2012	PB-UD	BHP
STS-B 71-1	2018	2012	PB-UD	BHP
STS-B 3-1	2018	2012	PB-UD	BHP
STS B 59-2	2018	2012	PB-UD	BHP
STS B 59-1	2018	2012	PB-UD	BHP
STS 54-1	2019	2012	PB-UD	BHP
STS 75-4	2019	2012	PB-UD	BHP
STS 75-3	2019	2012	PB-UD	BHP
STS 75-2	2019	2012	PB-UD	BHP
STS 75-1	2019	2012	PB-UD	BHP
STS 102-4	2019	2012	PB-UD	BHP
STS-B 72-3	2019	2012	PB-UD	BHP
STS-B 72-2	2019	2012	PB-UD	BHP
STS-B 72-1	2019	2012	PB-UD	BHP
STS-B 58-2	2019	2012	PB-UD	BHP
STS-B 58-1	2019	2012	PB-UD	BHP
STS-B 71-4	2019	2012	PB-UD	BHP
STS 49-3	2020	2012	PB-UD	BHP
STS 49-2	2020	2012	PB-UD	BHP
STS 49-1	2020	2012	PB-UD	BHP
STS 54-4	2020	2012	PB-UD	BHP
STS 54-3	2020	2012	PB-UD	BHP
STS 54-2	2020	2012	PB-UD	BHP
STS B 73-3	2020	2012	PB-UD	BHP
STS B 73-2	2020	2012	PB-UD	BHP
STS B 73-1	2020	2012	PB-UD	BHP
STS-B 57-2	2020	2013	PB-UD	BHP
STS-B 57-1	2020	2013	PB-UD	BHP
STS-B 72-4	2020	2013	PB-UD	BHP
STS 49-4	2021	2013	PB-UD	BHP
STS-B 56-2	2021	2013	PB-UD	BHP
STS-B 74-3	2021	2013	PB-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-B 56-1	2021	2013	PB-UD	BHP
STS-B 74-2	2021	2013	PB-UD	BHP
STS-B 73-4	2021	2013	PB-UD	BHP
STS-B 74-1	2021	2013	PB-UD	BHP
STS-B 55-4	2022	2013	PB-UD	BHP
STS-B 48-1	2022	2013	PB-UD	BHP
STS-B 55-3	2022	2013	PB-UD	BHP
STS-B 55-2	2022	2013	PB-UD	BHP
STS-B 55-1	2022	2013	PB-UD	BHP
STS-B 74-4	2022	2013	PB-UD	BHP
STS-B 48-3	2023	2013	PB-UD	BHP
STS-B 27-3	2023	2013	PB-UD	BHP
STS-B 27-2	2023	2013	PB-UD	BHP
STS-B 27-1	2023	2013	PB-UD	BHP
STS-B 48-4	2023	2013	PB-UD	BHP
STS-B 48-2	2023	2013	PB-UD	BHP
STS B 6-4	2024	2013	PB-UD	BHP
STS B 6-3	2024	2013	PB-UD	BHP
STS B 6-2	2024	2013	PB-UD	BHP
STS B 6-1	2024	2013	PB-UD	BHP
STS B 27-4	2024	2013	PB-UD	BHP
STS-A 6H	2013	2011	PV-UD	BHP
STS-A 5H	2013	2011	PV-UD	BHP
STS-A 2H	2013	2011	PV-UD	BHP
STS-D 1H	2013	2011	PV-UD	BHP
STS-A KENNEDY STATE 1H	2014	2011	PV-UD	BHP
STS-A 12H	2014	2011	PV-UD	BHP
STS-A 11H	2014	2011	PV-UD	BHP
STS-A 10H	2014	2011	PV-UD	BHP
STS-D 2H	2014	2011	PV-UD	BHP
STS-A 303	2015	2011	PV-UD	BHP
STS-A 302	2015	2011	PV-UD	BHP
STS-A 301	2015	2011	PV-UD	BHP
STS-D 3H	2015	2011	PV-UD	BHP
STS 0 1H	2018	2011	PB-UD	Talisman
STS 0 2H	2018	2011	PB-UD	Talisman
STS 0 3H	2018	2011	PB-UD	Talisman
STS 0 4H	2018	2011	PB-UD	Talisman
STS 0 5H	2018	2011	PB-UD	Talisman
STS 0 6H	2018	2011	PB-UD	Talisman
STS 0 7H	2018	2011	PB-UD	Talisman
STS 0 8H	2018	2011	PB-UD	Talisman
STS P 1B	2018	2011	PB-UD	Talisman
STS P2B	2018	2011	PB-UD	Talisman
STS P3B	2018	2011	PB-UD	Talisman

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS P4B	2018	2011	PB-UD	Talisman
STS P5B	2018	2011	PB-UD	Talisman
STS P6B	2018	2011	PB-UD	Talisman
STS P7B	2018	2011	PB-UD	Talisman
STS P8B	2018	2011	PB-UD	Talisman
STS N 1H	2019	2011	PB-UD	Talisman
STS N 2H	2019	2011	PB-UD	Talisman
STS N 3H	2019	2011	PB-UD	Talisman
STS N 4H	2019	2011	PB-UD	Talisman
STS Q 2H	2019	2011	PB-UD	Talisman
STS Q 3H	2019	2011	PB-UD	Talisman
STS Q 4H	2019	2011	PB-UD	Talisman
STS Q 5H	2019	2011	PB-UD	Talisman
STS Q 6H	2019	2011	PB-UD	Talisman
STS Q 7H	2019	2011	PB-UD	Talisman
STS Q 8H	2019	2012	PB-UD	Talisman
STS R 1H	2019	2012	PB-UD	Talisman
STS R 2H	2019	2012	PB-UD	Talisman
WASHBURN RANCH 04H	2013	2011	PV-UD	PXD
WASHBURN RANCH 05H	2013	2011	CR-UD	PXD
WASHBURN RANCH 18H	2013	2011	CR-UD	PXD
WASHBURN RANCH 21H	2013	2011	CR-UD	PXD
WASHBURN RANCH 22H	2013	2011	CR-UD	PXD
WASHBURN RANCH 27H	2013	2012	CR-UD	PXD
WASHBURN RANCH 28H	2013	2012	CR-UD	PXD
WASHBURN RANCH 29H	2014	2012	CR-UD	PXD
WASHBURN RANCH 30H	2014	2012	CR-UD	PXD
WASHBURN RANCH 31H	2014	2012	CR-UD	PXD
WASHBURN RANCH 32H	2014	2012	CR-UD	PXD
WASHBURN RANCH 33H	2014	2013	CR-UD	PXD
WASHBURN RANCH 34H	2014	2013	CR-UD	PXD
WASHBURN RANCH 35H	2014	2013	CR-UD	PXD
WASHBURN RANCH 36H	2014	2013	CR-UD	PXD
WASHBURN RANCH 37H	2014	2013	CR-UD	PXD
WASHBURN RANCH 38H	2014	2013	CR-UD	PXD
WASHBURN RANCH 39H	2014	2014	CR-UD	PXD
WASHBURN RANCH 40H	2014	2014	CR-UD	PXD
WASHBURN RANCH 41H	2014	2014	CR-UD	PXD
WASHBURN RANCH 42H	2014	2014	CR-UD	PXD
WASHBURN RANCH 43H	2014	2014	CR-UD	PXD
WASHBURN RANCH 44H	2014	2014	CR-UD	PXD
WASHBURN RANCH 23H	2015	2015	CR-UD	PXD
WASHBURN RANCH 45H	2015	2015	CR-UD	PXD
WASHBURN RANCH 46H	2015	2015	CR-UD	PXD
WASHBURN RANCH 47H	2015	2015	CR-UD	PXD

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
WASHBURN RANCH 48H	2015	2015	CR-UD	PXD
WASHBURN RANCH 49H	2015	2015	CR-UD	PXD
WASHBURN RANCH 50H	2015	2016	CR-UD	PXD
WASHBURN RANCH 06H	2015	2016	CR-UD	PXD
WASHBURN RANCH 07H	2015	2016	CR-UD	PXD
WASHBURN RANCH 08H	2015	2016	CR-UD	PXD
WASHBURN RANCH 09H	2015	2016	CR-UD	PXD
WASHBURN RANCH 19H	2015	2016	CR-UD	PXD
WASHBURN RANCH 24H	2015	2017	CR-UD	PXD
WASHBURN RANCH 51H	2015	2017	CR-UD	PXD
WASHBURN RANCH 52H	2015	2017	CR-UD	PXD
WASHBURN RANCH 53H	2015	2017	CR-UD	PXD
WASHBURN RANCH 54H	2015	2017	CR-UD	PXD
WASHBURN RANCH 10H	2015	2017	CR-UD	PXD
STS-C 48H	2013	2012	PV-UD	BHP
STS-C 47H	2013	2012	PV-UD	BHP
STS-C 11H	2013	2012	PV-UD	BHP
STS NORTH UNIT 2 1H	2013	2012	PV-UD	BHP
STS-C 14H	2014	2012	PV-UD	BHP
STS-C 13H	2014	2012	PV-UD	BHP
STS-C 9H	2014	2012	PV-UD	BHP
STS-C 6H	2014	2012	PV-UD	BHP
STS-C 7H	2014	2012	PV-UD	BHP
STS-C 16H	2014	2012	PV-UD	BHP
STS-C 17H	2014	2012	PV-UD	BHP
STS-N 1H	2014	2012	PV-UD	BHP
STS-N 2H	2014	2012	PV-UD	BHP
STS-C 3-3 A-532	2015	2012	PV-UD	BHP
STS-C 3-1 A-532	2015	2012	PV-UD	BHP
STS-C 3-2 A-532	2015	2012	PV-UD	BHP
STS-C 20-2	2015	2012	PV-UD	BHP
STS-C 20-1	2015	2012	PV-UD	BHP
STS-C 15H	2015	2012	PV-UD	BHP
STS-C 19-3	2016	2012	PV-UD	BHP
STS-C 19-2	2016	2012	PV-UD	BHP
STS-C 19-1	2016	2012	PV-UD	BHP
STS-C 1-3	2016	2012	PV-UD	BHP
STS-C 1-1	2016	2012	PV-UD	BHP
STS-C 1-2	2016	2012	PV-UD	BHP
STS-N 5H	2016	2012	PV-UD	BHP
STS-N 4H	2016	2013	PV-UD	BHP
STS-N 3H	2016	2013	PV-UD	BHP
STS-C 27-4	2017	2013	PV-UD	BHP
STS-C 28-1	2017	2013	PV-UD	BHP
STS-C 27-3	2017	2013	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-C 27-2	2017	2013	PV-UD	BHP
STS-C 27-1	2017	2013	PV-UD	BHP
STS-C 19-4	2017	2013	PV-UD	BHP
STS-N 8H	2017	2013	PV-UD	BHP
STS-N 7H	2017	2013	PV-UD	BHP
STS-N 6H	2017	2013	PV-UD	BHP
STS-C 44-3	2018	2013	PB-UD	BHP
STS-C 44-2	2018	2013	PB-UD	BHP
STS-C 44-1	2018	2013	PB-UD	BHP
STS-C 28-3	2018	2013	PB-UD	BHP
STS-C 28-2	2018	2013	PB-UD	BHP
STS-C 3-1 A-105	2019	2013	PB-UD	BHP
STS-C 5-4 A-104	2019	2013	PB-UD	BHP
STS-C 5-3 A-104	2019	2013	PB-UD	BHP
STS-C 5-2 A-104	2019	2013	PB-UD	BHP
STS-C 5-1 A-104	2019	2013	PB-UD	BHP
STS-C 490-1	2019	2013	PB-UD	BHP
STS-C 4-3 A-667	2020	2013	PB-UD	BHP
STS-C 4-2 A-667	2020	2013	PB-UD	BHP
STS-C 4-1 A-667	2020	2014	PB-UD	BHP
STS-C 3-4 A-105	2020	2014	PB-UD	BHP
STS-C 3-3 A-105	2020	2014	PB-UD	BHP
STS-C 3-2 A-105	2020	2014	PB-UD	BHP
STS-C 43-4	2021	2014	PB-UD	BHP
STS C 43-3	2021	2014	PB-UD	BHP
STS C 43-2	2021	2014	PB-UD	BHP
STS-C 43-1	2021	2014	PB-UD	BHP
STS-C 4-4 A-667	2021	2014	PB-UD	BHP
STS LOG 002	2018	2012	CR-UD	Hunt
STS LOG 003	2018	2012	CR-UD	Hunt
STS LOG 004	2018	2012	CR-UD	Hunt
STS LOG 005	2018	2012	CR-UD	Hunt
STS LOG 006	2018	2012	CR-UD	Hunt
STS LOG 007	2019	2012	CR-UD	Hunt
STS LOG 023	2019	2012	CR-UD	Hunt
STS LOG 008	2019	2012	CR-UD	Hunt
STS LOG 024	2019	2012	CR-UD	Hunt
STS LOG 009	2019	2012	CR-UD	Hunt
STS LOG 025	2019	2012	CR-UD	Hunt
STS LOG 010	2019	2013	CR-UD	Hunt
STS LOG 026	2019	2013	CR-UD	Hunt
STS LOG 011	2019	2013	CR-UD	Hunt
STS LOG 027	2019	2013	CR-UD	Hunt
STS LOG 012	2019	2013	CR-UD	Hunt
STS LOG 028	2019	2013	CR-UD	Hunt

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
STS LOG 013	2019	2013	CR-UD	Hunt
STS LOG 014	2019	2013	CR-UD	Hunt
STS LOG 015	2019	2013	CR-UD	Hunt
STS LOG 016	2019	2013	CR-UD	Hunt
STS LOG 017	2019	2013	CR-UD	Hunt
STS LOG 018	2019	2013	CR-UD	Hunt
STS LOG 019	2019	2014	CR-UD	Hunt
STS LOG 020	2019	2014	CR-UD	Hunt
STS LOG 021	2019	2014	CR-UD	Hunt
STS LOG 022	2019	2014	CR-UD	Hunt
STS LOG 029	2020	2014	CR-UD	Hunt
STS LOG 030	2020	2014	CR-UD	Hunt
STS LOG 031	2020	2014	CR-UD	Hunt
STS LOG 032	2020	2014	CR-UD	Hunt
STS LOG 033	2020	2014	CR-UD	Hunt
STS LOG 034	2020	2014	CR-UD	Hunt
STS LOG 035	2020	2014	CR-UD	Hunt
STS LOG 036	2020	2014	CR-UD	Hunt
STS LOG 037	2020	2015	CR-UD	Hunt
STS LOG 038	2020	2015	CR-UD	Hunt
STS LOG 039	2020	2015	CR-UD	Hunt
STS LOG 040	2020	2015	CR-UD	Hunt
STS LOG 042	2021	2015	CR-UD	Hunt
STS LOG 043	2021	2015	CR-UD	Hunt
STS LOG 044	2021	2015	CR-UD	Hunt
STS LOG 045	2021	2015	CR-UD	Hunt
STS LOG 046	2021	2015	CR-UD	Hunt
STS LOG 041	2021	2015	CR-UD	Hunt
STS LOG 047	2022	2015	CR-UD	Hunt
STS LOG 048	2022	2015	CR-UD	Hunt
STS LOG 049	2022	2016	CR-UD	Hunt
STS LOG 050	2022	2016	CR-UD	Hunt
STS LOG 051	2022	2016	CR-UD	Hunt
STS LOG 052	2022	2016	CR-UD	Hunt
STS LOG 053	2023	2016	CR-UD	Hunt
STS LOG 054	2023	2016	CR-UD	Hunt
STS LOG 055	2023	2016	CR-UD	Hunt
STS LOG 056	2023	2016	CR-UD	Hunt
STS LOG 057	2023	2016	CR-UD	Hunt
STS LOG 058	2023	2016	CR-UD	Hunt
STS LOG 059	2024	2016	CR-UD	Hunt
STS LOG 060	2024	2016	CR-UD	Hunt
STS LOG 061	2024	2017	CR-UD	Hunt
STS LOG 062	2024	2017	CR-UD	Hunt
STS LOG 063	2024	2017	CR-UD	Hunt

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
STS LOG 064	2024	2017	CR-UD	Hunt
STS LOG 065	2025	2017	CR-UD	Hunt
STS LOG 066	2025	2017	CR-UD	Hunt
STS LOG 067	2025	2017	CR-UD	Hunt
STS LOG 068	2025	2017	CR-UD	Hunt
STS LOG 069	2025	2017	CR-UD	Hunt
WASHBURN RANCH 11H	2016	2012	CR-UD	PXD
WASHBURN RANCH 12H	2016	2012	CR-UD	PXD
WASHBURN RANCH 56H	2016	2012	CR-UD	PXD
WASHBURN RANCH 57H	2016	2012	CR-UD	PXD
WASHBURN RANCH 58H	2016	2012	CR-UD	PXD
WASHBURN RANCH 59H	2016	2012	CR-UD	PXD
WASHBURN RANCH 60H	2016	2012	CR-UD	PXD
WASHBURN RANCH 61H	2016	2012	CR-UD	PXD
WASHBURN RANCH 62H	2016	2012	CR-UD	PXD
WASHBURN RANCH 63H	2016	2012	CR-UD	PXD
WASHBURN RANCH 64H	2016	2012	CR-UD	PXD
WASHBURN RANCH 65H	2016	2013	CR-UD	PXD
WASHBURN RANCH 66H	2016	2013	CR-UD	PXD
WASHBURN RANCH 67H	2016	2013	CR-UD	PXD
WASHBURN RANCH 68H	2016	2013	CR-UD	PXD
WASHBURN RANCH 69H	2016	2013	CR-UD	PXD
WASHBURN RANCH 70H	2016	2013	CR-UD	PXD
WASHBURN RANCH 71H	2016	2013	CR-UD	PXD
WASHBURN RANCH 72H	2016	2013	CR-UD	PXD
WASHBURN RANCH 73H	2016	2013	CR-UD	PXD
WASHBURN RANCH 74H	2016	2013	CR-UD	PXD
WASHBURN RANCH 75H	2016	2013	CR-UD	PXD
WASHBURN RANCH 76H	2016	2013	CR-UD	PXD
WASHBURN RANCH 77H	2016	2014	CR-UD	PXD
WASHBURN RANCH 78H	2016	2014	CR-UD	PXD
WASHBURN RANCH 79H	2016	2014	CR-UD	PXD
WASHBURN RANCH 25H	2016	2014	CR-UD	PXD
WASHBURN RANCH 80H	2016	2014	CR-UD	PXD
WASHBURN RANCH 81H	2016	2014	CR-UD	PXD
WASHBURN RANCH 82H	2016	2014	CR-UD	PXD
WASHBURN RANCH 83H	2016	2014	CR-UD	PXD
WASHBURN RANCH 84H	2016	2014	CR-UD	PXD
WASHBURN RANCH 85H	2016	2014	CR-UD	PXD
WASHBURN RANCH 13H	2016	2014	CR-UD	PXD
WASHBURN RANCH 14H	2016	2014	CR-UD	PXD
WASHBURN RANCH 15H	2016	2015	CR-UD	PXD
WASHBURN RANCH 16H	2016	2015	CR-UD	PXD
WASHBURN RANCH 17H	2016	2015	CR-UD	PXD
WASHBURN RANCH 20H	2016	2015	CR-UD	PXD

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
WASHBURN RANCH 26H	2016	2015	CR-UD	PXD
WASHBURN RANCH 86H	2016	2015	CR-UD	PXD
WASHBURN RANCH 87H	2016	2015	CR-UD	PXD
WASHBURN RANCH 88H	2016	2015	CR-UD	PXD
WASHBURN RANCH 89H	2016	2015	CR-UD	PXD
WASHBURN RANCH 90H	2016	2015	CR-UD	PXD
WASHBURN RANCH 91H	2016	2015	CR-UD	PXD
WASHBURN RANCH 92H	2016	2015	CR-UD	PXD
WASHBURN RANCH 93H	2016	2016	CR-UD	PXD
WASHBURN RANCH 94H	2016	2016	CR-UD	PXD
WASHBURN RANCH 95H	2016	2016	CR-UD	PXD
WASHBURN RANCH 96H	2016	2016	CR-UD	PXD
WASHBURN RANCH 97H	2016	2016	CR-UD	PXD
WASHBURN RANCH 98H	2017	2016	CR-UD	PXD
WASHBURN RANCH 99H	2017	2016	CR-UD	PXD
WASHBURN RANCH 100H	2017	2016	CR-UD	PXD
WASHBURN RANCH 101H	2017	2016	CR-UD	PXD
WASHBURN RANCH 102H	2017	2016	CR-UD	PXD
WASHBURN RANCH 103H	2017	2016	CR-UD	PXD
WASHBURN RANCH 104H	2017	2016	CR-UD	PXD
WASHBURN RANCH 105H	2017	2017	CR-UD	PXD
WASHBURN RANCH 106H	2017	2017	CR-UD	PXD
WASHBURN RANCH 107H	2017	2017	CR-UD	PXD
WASHBURN RANCH 108H	2017	2017	CR-UD	PXD
WASHBURN RANCH 109H	2017	2017	CR-UD	PXD
WASHBURN RANCH 110H	2017	2017	CR-UD	PXD
WASHBURN RANCH 111H	2017	2017	CR-UD	PXD
WASHBURN RANCH 112H	2017	2017	CR-UD	PXD
WASHBURN RANCH 113H	2017	2017	CR-UD	PXD
WASHBURN RANCH 114H	2017	2017	CR-UD	PXD
WASHBURN RANCH 115H	2017	2017	CR-UD	PXD
WASHBURN RANCH 116H	2017	2017	CR-UD	PXD
WASHBURN RANCH 117H	2017	2018	CR-UD	PXD

9. In my opinion, the difference in the value derived from the drilling schedule anticipated by Ryder Scott Company, L.P. and reflected in the existing report and the value derived from the drilling schedule that results from prudent continuous development lease provisions would be additional dollar damages sustained by the STS Beneficiaries in this matter.

I understand the attorneys for JP Morgan have objected to Ryder Scott Company, L.P. preparing

an additional valuation report to incorporate the drilling schedule that would have resulted from prudent continuous development provisions in certain oil and gas leases that cover the Eagle Ford Shale formation under the *Washburn Ranch*. Therefore, I made the necessary calculations within Ryder Scott's PHDWin database to quantify the additional values that would have resulted from prudent continuous development lease provisions. A summary of the results follows:

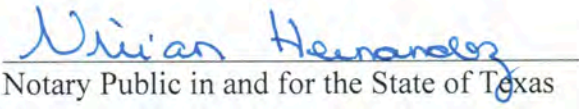
Ryder Scott Reserve / Resource <u>Category</u>	Present Value at 10% Results from Prudent Continuous Development <u>Schedule</u>	Present Value at 10% Determined by Ryder Scott Development <u>Schedule</u>	Additional Value Based on Anticipated Ryder Scott Production <u>Profiles</u>
Proved Producing Reserves	-	-	Unchanged
Proved Undeveloped Reserves	\$702,194,630	\$558,053,575	\$144,141,055
Probable Undeveloped Reserves	\$354,757,732	\$176,296,120	\$178,461,612
Possible Undeveloped Reserves	-	-	Unchanged
Contingent Undeveloped Resources	\$366,791,786	\$179,422,680	\$187,369,106

FURTHER AFFIANT SAYETH NOT.


CHARLES E. GRAHAM, III

Subscribed and sworn to before me, the undersigned notary, on February 27, 2014.

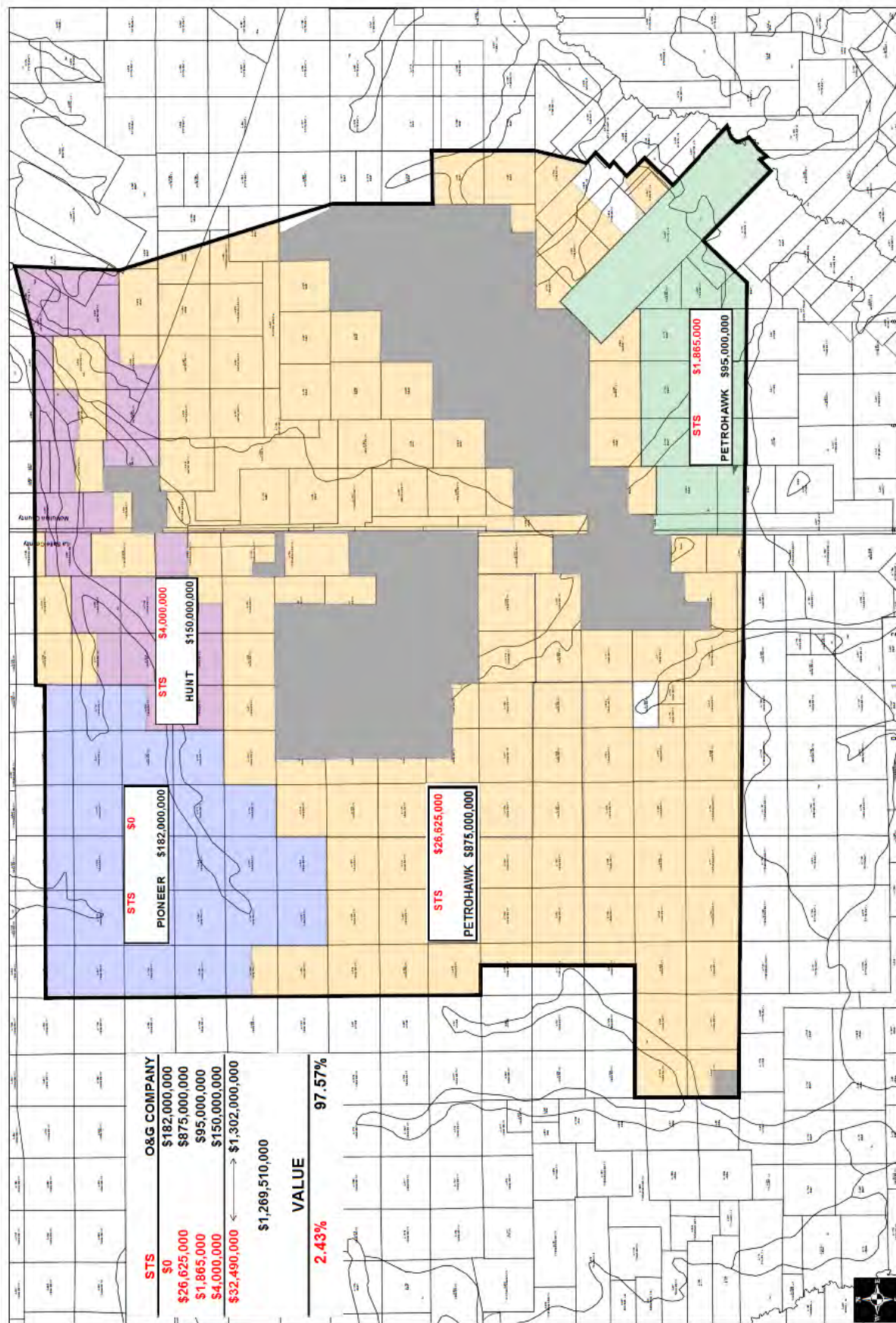



Notary Public in and for the State of Texas

My Commission expires:

04-05-2014

TAB 8



2010-CI-10977

JOHN K. MEYER	§	IN THE DISTRICT COURT
	§	
	§	
V.	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	225TH JUDICIAL DISTRICT
INDIVIDUALLY/CORPORATELY	§	
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST	§	
AND GARY P. AYMES	§	BEXAR COUNTY, TEXAS

**APPENDIX TO PLAINTIFF'S RESPONSE TO DEFENDANT'S TRADITIONAL
AND NO-EVIDENCE MOTIONS FOR SUMMARY JUDGMENT**

VOLUME 2 OF 2

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6. Supplemental Affidavit of Robert E. Lee, III	01204
7. Supplemental Affidavit of Charles E. Graham, III	01209
8. Billiton Valuation	01224

Transcript of the Testimony of
Greg Crow

Date:

January 22, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

Kim Tindall and Associates, LLC

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

GREG CROW

January 22, 2014

ORAL VIDEOTAPED DEPOSITION OF GREG CROW,
produced as a witness at the instance of the
Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on January 22, 2014,
from 1:27 p.m. to 3:22 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Hunton & Williams, 700 Louisiana,
Suite 4200, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

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APPEARANCES

FOR DEFENDANTS:

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ALSO PRESENT:

Terry Harrison, Videographer

Susan P. Kravik

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Test test Greg Crow

VIDEOGRAPHER: Today is January 22nd,

2013. We're on the record, and the time is 1:27.

GREG CROW,

having been first duly sworn, testified as follows:

EXAMINATION

Q. (BY MR. DROUGHT) Please state your name.

A. Greg Crow.

Q. Mr. Crow, my name is Jim Drought. I'm a

lawyer from San Antonio, and I'm representing some of

the beneficiaries of the South Texas Syndicate Trust

in a lawsuit involving JP Morgan.

Do you understand that?

A. Yes, sir.

Q. Let me just ask you some background

questions first.

Did you grow up in the Houston area

or --

A. No. I'm from Fort Worth originally.

Q. Okay. Went to high school in Fort Worth?

A. High school in Fort Worth.

Q. And then went to the University of Texas?

A. Yes.

Q. And what year did you graduate?

A. '81, 1981.

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Q. And that was in the business school?

A. Yes, sir.

Q. After receiving your BBA, did you get any

other formal education?

A. No.

Q. What type of work experience have you been

involved in since you graduated from college?

A. I joined Bank of the Southwest in 1981 as a

mineral property manager in their oil and gas group.

Q. Okay. How long were you with Bank of

Southwest?

A. Through all the various name changes until

September of 2008. So, it was JP Morgan when I left.

So, a total of 27 years.

Q. And were you in the oil and gas specialty

area the entire time that you were working for JP

Morgan and the predecessor banks?

A. Yes, I was.

Q. Do you have any type of certification, such

as a landman certification?

A. I'm a CPL, a certified professional

landman.

Q. And in September of 2008 what type of

employment did you take up?

A. I joined Travis Property Management, who

2 (Pages 2 to 5)

<p style="text-align: right;">Page 6</p> <p>1 does basically the same -- offers the same services 2 as the JP Morgan oil and gas group, just not 3 specifically for a particular company. 4 Q. And is Travis Property Management 5 associated or affiliated with a trust company? 6 A. We do work for Houston Trust Company. We 7 do the oil and gas management for them. 8 Q. Okay. There's a trust company in 9 San Antonio called The Trust Company. 10 Is that a separate entity, or is that 11 part of the same one that's -- 12 A. No, not affiliated. I've seen the name, 13 but it's not affiliated with Houston Trust Company. 14 Q. So, would the Houston Trust Company then be 15 a client of Travis Property Management? 16 A. Yes. 17 Q. And so, there's other minerals that you 18 manage for other clients or customers; is that 19 correct? 20 A. Correct. 21 Q. I have put a stack of exhibits in front of 22 you, and I've given JPM's counsel a copy. I want to 23 go over a few of these with you, maybe not all of 24 them. But if you turn to Exhibit 7 -- do you see 25 Exhibit 7 in front of you?</p>	<p style="text-align: right;">Page 8</p> <p>1 is that you have to answer with a yes or a no or 2 something else because it's hard for the court 3 reporter to get down -- 4 A. All right. 5 Q. All right. Well, did you have any role in 6 negotiating the terms of that particular lease that's 7 been marked as Exhibit 7? 8 A. I think if there was a role it would be 9 just in discussions on the phone with other mineral 10 property managers as far as talking about the lease 11 terms and what was going on and if anybody else knew 12 anything about the area, possibly discussions on 13 changes to the lease. 14 So, to be honest with you, until I saw 15 some of those e-mails today I wouldn't have been able 16 to have been up to date on any of that. After five 17 years, seeing some e-mails jogged a few memories. I 18 just know it was common practice for most lease 19 offers to discuss them on the phone. I don't know 20 what the formal approval process was at that time. I 21 don't recall. There were changes that were made as a 22 result of some of the bank mergers, but I do know it 23 would be very common for us to all discuss it. And I 24 can't tell you that I recall these in particular, but 25 I'm certain that there was discussions in the mineral</p>
<p style="text-align: right;">Page 7</p> <p>1 A. Oil and gas lease, yes. 2 Q. All right. This is an oil and gas lease 3 that Petrohawk -- dated May 27th, 2008, involving 4 12,700 acres of land, more or less. 5 Are you familiar with this lease? 6 A. I can't say I'm familiar with this 7 particular lease. I know that leases were given on 8 the South Texas Syndicate, but until I had a chance 9 to actually see these I was not aware of the 10 particular lease itself. 11 Q. Okay. When was the first time you saw this 12 particular lease? Was it now, or did you see it in 13 getting ready for your deposition? 14 A. I don't recall if we looked at it in the 15 deposition, but there was e-mails regarding the lease 16 that I've seen. I believe this is the first time 17 I've actually seen the lease itself. 18 Q. Okay. Well, have you had an opportunity to 19 meet with Jed Williams prior to this deposition? 20 A. We talked. 21 Q. On the telephone? 22 A. No. We met here before the meeting. 23 Q. Okay. Met here today before the meeting? 24 A. Uh-huh. 25 Q. One of the things about these depositions</p>	<p style="text-align: right;">Page 9</p> <p>1 property manager meeting calls about this particular 2 lease. 3 Q. Okay. I'm going to object to the part of 4 your answer that was nonresponsive to my question. 5 This is something we have to do as lawyers. I don't 6 mean to be offensive by that, but my particular 7 question is regarding this lease and -- and maybe I 8 can be more specific. 9 Do you remember if you had any 10 discussions regarding that particular lease regarding 11 the amount of acreage that would be included in it? 12 A. There were probably discussions about how 13 to divide it up. 14 Q. Well, I don't want you to -- to speculate 15 or -- or guess because this -- you know, this -- 16 A. That's what I would be doing if I tried to 17 be direct about some of those. 18 Q. Okay. 19 A. I'm sorry. But that's been five -- over 20 five years. 21 Q. And I understand. I'm just trying to get 22 what you -- what you remember. And if you don't 23 remember, then that's the right answer. 24 A. All right. 25 Q. Did you have a discussion regarding the</p>

3 (Pages 6 to 9)

Page 10	Page 12
<p>1 royalty percentage that was negotiated in that lease?</p> <p>2 A. I'm sure that was discussed.</p> <p>3 Q. Do you remember discussing it?</p> <p>4 A. I don't recall the exact conversation, but</p> <p>5 I'm sure that would have been a topic of discussion.</p> <p>6 Q. Did you discuss any depth restrictions</p> <p>7 regarding that particular lease?</p> <p>8 A. Well, I don't recall, but the lease does</p> <p>9 have -- if it was a lease form used by the bank, it</p> <p>10 would have had a provision in there to begin with.</p> <p>11 Q. All right. Do you recall any discussion of</p> <p>12 the delay rental provisions?</p> <p>13 A. Particular discussions on that provision,</p> <p>14 no.</p> <p>15 Q. Do you recall any discussions regarding the</p> <p>16 continual development clause in this lease?</p> <p>17 A. I think that was a discussion that would</p> <p>18 probably have been linked in to the dividing up the</p> <p>19 acreage into different leases.</p> <p>20 Q. Okay. Now, again, is this something</p> <p>21 remember or you just think it might have happened?</p> <p>22 A. No. It was from seeing prior e-mails. I</p> <p>23 would not have been able to recall any of those</p> <p>24 discussions had I not seen some of those e-mails from</p> <p>25 this morning.</p>	<p>1 A. I don't recall the date on the e-mail that</p> <p>2 I was looking at.</p> <p>3 Q. Take a look at Exhibit 9 for me. That --</p> <p>4 you see that that's another Petrohawk lease dated</p> <p>5 May 27th, 2008?</p> <p>6 A. Yes, sir.</p> <p>7 Q. And that was the same date as Exhibit 7; is</p> <p>8 that correct?</p> <p>9 A. It is.</p> <p>10 Q. And did you have a discussion with Pattie</p> <p>11 Ormond that you can remember as you sit here today</p> <p>12 regarding the amount of bonus to be negotiated for</p> <p>13 that lease?</p> <p>14 A. I'm sure in the conversations with the</p> <p>15 landman at the bank that would have been an item of</p> <p>16 discussion, along with the royalty.</p> <p>17 Q. Okay. But, Mr. Crow, I'm trying to get not</p> <p>18 what might have happened with other mineral managers</p> <p>19 but what you can remember, and my question</p> <p>20 specifically: Do you recall a conversation with</p> <p>21 Pattie Ormond regarding the amount of bonus on this</p> <p>22 particular lease?</p> <p>23 A. I do not recall a particular conversation,</p> <p>24 but I'm certain that there were conversations on a</p> <p>25 committee situation regarding the lease.</p>
Page 11	Page 13
<p>1 Q. Did you have any discussions regarding the</p> <p>2 length of time that would elapse between the</p> <p>3 completion of one well and the commencement of</p> <p>4 another well?</p> <p>5 A. I'm sure that would have been part of the</p> <p>6 discussion on continuous development.</p> <p>7 Q. All right. Did you have any e-mails with</p> <p>8 Pattie Ormond about any of these items that we just</p> <p>9 talked about?</p> <p>10 A. If I would have met with you without</p> <p>11 advantage of seeing that today, I would have told you</p> <p>12 I don't recall. But I've seen an e-mail, so</p> <p>13 obviously there were some discussions.</p> <p>14 Q. Have you brought some documents today that</p> <p>15 helped refresh your memory?</p> <p>16 A. No.</p> <p>17 Q. But you're talking about an e-mail that</p> <p>18 you're referring to right now?</p> <p>19 A. Must be in part of your package.</p> <p>20 Q. Well, what did the e-mail say? Do you</p> <p>21 remember?</p> <p>22 A. It was just an e-mail discussing changes to</p> <p>23 the lease form.</p> <p>24 Q. In general or that particular lease that's</p> <p>25 been marked as Exhibit 7?</p>	<p>1 Q. Well, was there a committee involved that</p> <p>2 approved these leases that we just looked at,</p> <p>3 Exhibits 7 and 9?</p> <p>4 A. I don't recall what the exact formal</p> <p>5 structure of the committee was at that time. I can</p> <p>6 tell you what it had been for 25 years before the</p> <p>7 merger. But with the changes that took place, I'm</p> <p>8 not sure what the formal, documented bank approval</p> <p>9 procedure was for leases at that time.</p> <p>10 Q. Okay. What was it before the merger?</p> <p>11 A. Before the merger, the property manager</p> <p>12 would get the approval from the senior location</p> <p>13 manager and also from the trust advisor and then that</p> <p>14 would go to a formal trust administrative committee</p> <p>15 and it would be stamped approved to be put in the</p> <p>16 files with the lease.</p> <p>17 Q. And the merger that you're talking about,</p> <p>18 is that the merger with Bank One?</p> <p>19 A. Bank One, yes, sir.</p> <p>20 Q. And so, for 25 years or so that you've been</p> <p>21 in this business you would go through a committee</p> <p>22 structure as you just described as far as getting a</p> <p>23 lease approved?</p> <p>24 A. Yes.</p> <p>25 Q. And then after the merger you say you're</p>

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<p style="text-align: right;">Page 14</p> <p>1 not exactly sure --</p> <p>2 A. I'm not exactly sure what the policy was at</p> <p>3 the time that this took place to get the approvals.</p> <p>4 I just don't recall.</p> <p>5 Q. Okay. And the merger with Bank One</p> <p>6 occurred, what, in 2006; is that right?</p> <p>7 A. That -- somewhere in that area.</p> <p>8 Q. All right. And so, after that period --</p> <p>9 and you left in September 2008; is that correct?</p> <p>10 A. Yes, sir.</p> <p>11 Q. And why -- why did you leave?</p> <p>12 A. Just had a good opportunity that was</p> <p>13 presented to me.</p> <p>14 Q. Okay. You voluntarily left?</p> <p>15 A. Yes.</p> <p>16 Q. All right. And so, there was a period of</p> <p>17 time from the Bank One merger up until the time that</p> <p>18 you left where you're not clear what the review</p> <p>19 process was?</p> <p>20 A. I just -- I couldn't tell you what it was.</p> <p>21 If you had asked me as soon as I left, I could have</p> <p>22 told you. Five years, it's just something I haven't</p> <p>23 committed to memory.</p> <p>24 Q. Well, do you believe that there was a</p> <p>25 committee structure at that time?</p>	<p style="text-align: right;">Page 16</p> <p>1 with Petrohawk regarding about 16,900 acres.</p> <p>2 Do you see that?</p> <p>3 A. Yes, sir.</p> <p>4 Q. Have you seen this lease before before</p> <p>5 today?</p> <p>6 A. If I did, I don't recall.</p> <p>7 Q. Do you recall if you had any specific</p> <p>8 conversations with Pattie Ormond regarding this</p> <p>9 July 2008 lease?</p> <p>10 A. I don't recall specifics, but more than</p> <p>11 likely this would have been a topic of discussion on</p> <p>12 one of the weekly calls.</p> <p>13 Q. Well, let me -- let me get set in my mind</p> <p>14 here what your role was with the bank at that time.</p> <p>15 You -- you were working out of the</p> <p>16 Houston office, correct?</p> <p>17 A. Yes.</p> <p>18 Q. And I'm talking about, say, the 2008 time</p> <p>19 period.</p> <p>20 A. I spent all my time here in Houston.</p> <p>21 Q. Okay. What was your role with JP Morgan in</p> <p>22 2008?</p> <p>23 A. 2008, I was a property manager and I</p> <p>24 reported to H.L. Tompkins, who was the Houston</p> <p>25 location manager.</p>
<p style="text-align: right;">Page 15</p> <p>1 A. I'm not sure if there was a committee, but</p> <p>2 there was some kind of -- I feel certain there was</p> <p>3 some type of formal approval process, documented</p> <p>4 approval process.</p> <p>5 Q. Do you recall if regarding these first two</p> <p>6 leases in May of 2008 whether banking days were</p> <p>7 discussed regarding the negotiation of those leases?</p> <p>8 A. Banking days?</p> <p>9 Q. Yes.</p> <p>10 A. Clarify that, please.</p> <p>11 Q. Are you not familiar with that term?</p> <p>12 A. I've heard of it, but I'm not quite sure</p> <p>13 how it's being used in this context.</p> <p>14 Q. Well, it's probably not important for my</p> <p>15 questions right now, so let me ask you about minimum</p> <p>16 royalty provisions.</p> <p>17 Do you know if that was discussed</p> <p>18 regarding these two leases?</p> <p>19 A. I don't recall.</p> <p>20 Q. All right. What about shut-in royalty</p> <p>21 payments? Do you know if that was discussed</p> <p>22 regarding these two leases?</p> <p>23 A. I don't recall.</p> <p>24 Q. Take a look at Exhibit 11 for me, please.</p> <p>25 This is the July 16th, 2008 lease that JP Morgan made</p>	<p style="text-align: right;">Page 17</p> <p>1 Q. You reported to H.L. Tompkins?</p> <p>2 A. Yes.</p> <p>3 Q. You didn't report to Dave Herford?</p> <p>4 A. No. H.L. reported to David.</p> <p>5 Q. Okay. So, H.L. was above you then?</p> <p>6 A. Yes.</p> <p>7 Q. All right. But did Pattie then report to</p> <p>8 you?</p> <p>9 A. No. She may have at one time. When she</p> <p>10 came to the bank, I was the location manager for</p> <p>11 Houston. We had some changes through the merger.</p> <p>12 The guy that was head of our oil and gas group was</p> <p>13 also our location manager. He was given a package.</p> <p>14 So, I became the location manager for Houston and I</p> <p>15 interviewed Pattie and recommended that they hire her</p> <p>16 and at a later point I asked that they find another</p> <p>17 location manager so that I could focus on being a</p> <p>18 property manager.</p> <p>19 Q. Okay.</p> <p>20 A. So --</p> <p>21 Q. And when you were the property manager in</p> <p>22 the 2008 time period, how many accounts were you</p> <p>23 managing?</p> <p>24 A. Oh, if I had to guess, 150 plus.</p> <p>25 Q. All right. And -- and so, was Stan -- or</p>

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<p style="text-align: right;">Page 18</p> <p>1 Steven Cranford there at any time that you were --</p> <p>2 A. Yes.</p> <p>3 Q. -- working there?</p> <p>4 A. Yes. From the time that we were acquired</p> <p>5 by Chase, Steve was at the bank at that time and when</p> <p>6 I moved over in the merger.</p> <p>7 Q. All right. And how -- what was your</p> <p>8 relationship with Cranford? Was that -- were you-all</p> <p>9 on the same plane or was he --</p> <p>10 A. We were when I first went to work there,</p> <p>11 but when Mark Langford left Steve was promoted up to</p> <p>12 the head of the oil and gas group for Chase. And so,</p> <p>13 he became my -- my boss.</p> <p>14 Q. Okay. And when did he leave, Cranford?</p> <p>15 A. I don't know the exact date, but it would</p> <p>16 have been before Pattie joined the bank. I would say</p> <p>17 probably six months or so prior to that.</p> <p>18 Q. Okay. And where did he go? Do you know?</p> <p>19 A. Independent.</p> <p>20 Q. And how did Shane Duvall fit into this</p> <p>21 management? When -- when was he involved with it?</p> <p>22 A. I can't tell you the dates, but probably</p> <p>23 when Steve went over to close the San Antonio office</p> <p>24 I think Shane inherited most of those San Antonio</p> <p>25 accounts.</p>	<p style="text-align: right;">Page 20</p> <p>1 Do you see that?</p> <p>2 A. Yes.</p> <p>3 Q. Now, did you have any involvement in the</p> <p>4 negotiation of this 2006 lease?</p> <p>5 A. If I did, it would have been the same as</p> <p>6 before, as a general discussion.</p> <p>7 Q. Okay. Do you see that it shows a primary</p> <p>8 term expiration date of July 25th, 2012, up in that</p> <p>9 top right-hand corner?</p> <p>10 A. Okay.</p> <p>11 Q. Do you see that?</p> <p>12 A. Yes.</p> <p>13 Q. Six-year primary term is pretty unusual,</p> <p>14 isn't it?</p> <p>15 A. In most cases.</p> <p>16 Q. Did you have any involvement in the</p> <p>17 negotiation of this primary term being extended up to</p> <p>18 six years?</p> <p>19 MR. WILLIAMS: Objection. Form.</p> <p>20 A. I don't recall.</p> <p>21 Q. (BY MR. DROUGHT) Take a look at Exhibit 31</p> <p>22 for me.</p> <p>23 A. 31? Okay.</p> <p>24 Q. This is another Punt Oil Broad Oak lease.</p> <p>25 This one involves 1707 acres and shows an effective</p>
<p style="text-align: right;">Page 19</p> <p>1 Q. Who took -- who took your place after you</p> <p>2 left in September 2008?</p> <p>3 A. I don't believe they hired anybody.</p> <p>4 Q. And so, what happened to the hundred and</p> <p>5 some-odd accounts that you were managing?</p> <p>6 A. I guess they were divided up.</p> <p>7 Q. All right. Take a look at Exhibits 15, 17,</p> <p>8 and 19.</p> <p>9 A. 15, 17, and 19. Okay.</p> <p>10 Q. Okay. These are copies of the three</p> <p>11 December 12, 2008 leases with Petrohawk.</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. Okay. Now, by this time you would have</p> <p>15 already left JP Morgan, correct?</p> <p>16 A. Yes.</p> <p>17 Q. So, would it be fair to say that you did</p> <p>18 not have discussions with Pattie Ormond regarding</p> <p>19 these three leases?</p> <p>20 A. I feel that's a correct statement.</p> <p>21 Q. Take a look at Exhibit 30 for me.</p> <p>22 A. Okay.</p> <p>23 Q. This is a plat of a 3,094-acre Punt Oil</p> <p>24 Company Broad Oak lease. It shows an effective date</p> <p>25 of July 25th, 2006.</p>	<p style="text-align: right;">Page 21</p> <p>1 date of February 26, 2007.</p> <p>2 Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. And this one also provides for a six-year</p> <p>5 primary term; is that correct?</p> <p>6 A. Yes.</p> <p>7 Q. Do you recall any discussion about</p> <p>8 extending this primary term or this primary term</p> <p>9 extending out to 2013?</p> <p>10 A. I don't remember any exact discussions.</p> <p>11 Q. Okay. Take a look at Exhibit 34 for me,</p> <p>12 please.</p> <p>13 A. Okay.</p> <p>14 Q. This is a letter dated October 22nd, 2008.</p> <p>15 It's been signed by Petrohawk and by JP Morgan.</p> <p>16 Do you see that?</p> <p>17 A. Yes.</p> <p>18 Q. Have you seen this letter before?</p> <p>19 A. If I have, I don't recall.</p> <p>20 Q. Okay. Well, by October 2008 you would have</p> <p>21 no longer been with -- with JP Morgan, correct?</p> <p>22 A. Okay. You're right. Yes.</p> <p>23 Q. And do you recall the date that Petrohawk</p> <p>24 made the deal for the Discovery well public?</p> <p>25 A. Do I recall the date? No.</p>

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<p>1 Q. I think it's been pretty well proved that 2 it was either October 21st of 2008 or maybe the 22nd 3 of 2008. 4 Does that sound about right to you? 5 A. That's in the time frame, I would assume. 6 Q. Okay. We'll get to it in a little while, 7 but there's a document that will refresh your memory. 8 You -- you e-mailed Pattie. 9 A. I've seen that. I didn't realize -- I 10 didn't read it thoroughly and didn't realize that was 11 the Discovery well. 12 Q. Okay. 13 A. I did see that earlier today. I don't 14 recall sending it to her, but I'm not surprised 15 sending an article over here that I would share 16 information that I saw in Houston with her for one of 17 her accounts. 18 Q. So, you -- you would consider that as part 19 of your job as a mineral manager to be familiar with 20 what's going on in the oil and gas community? 21 A. That's what they are paying us to do. 22 Q. And you would look at things like the 23 business section of the paper and find out who's 24 drilling where and what? 25 A. That would be one source, yes.</p>	<p>1 Pattie? 2 A. I believe she reported to me at that time. 3 Q. All right. And at that time you were 4 reporting to H.L. Tompkins? 5 A. No. That would have been David Herford. 6 Q. Okay. 7 A. To be honest with you, I don't remember the 8 chain of command for -- for who Pattie reported to, 9 but there's a high probability it was through me. 10 Q. So, what occasioned the change of your 11 supervisor from being H.L. Tompkins to Dave Herford? 12 MR. WILLIAMS: Objection. Form. 13 A. Repeat it one more time, please. 14 Q. (BY MR. DROUGHT) I may have misunderstood 15 you. 16 MR. WILLIAMS: I think you've got it 17 backwards. 18 Q. (BY MR. DROUGHT) Okay. First you report to 19 Dave Herford, and then at a later time it was to H.L. 20 Tompkins? 21 A. Yes. When I was location manager, for the 22 period of time I was serving in that capacity I 23 reported directly to David Herford. 24 Q. Okay. 25 A. When H.L. was named as location manager, I</p>
Page 23	Page 25
<p>1 Q. Did you ever subscribe to or have an 2 occasion to look at Oil & Gas Investor Magazine? 3 A. I didn't spend a lot of time on Oil & Gas 4 Investor Magazine, no. 5 Q. This particular letter I'm showing you 6 that's Exhibit 34 is entitled Letter of Intent to 7 Recommend Leasing -- and you don't have to read the 8 whole thing, but in effect it's Pattie Ormond leasing 9 up the balance of the STS lands to Petrohawk the day 10 after the Discovery well. 11 Have you been told that, or do you 12 know that now? 13 A. No. Well, I do know now. 14 Q. So, you're just learning that by my 15 question, I guess; is that correct? 16 A. Yes. 17 Q. Okay. Turn to Exhibit 58A, please. 18 A. 58A? Okay. 19 Q. This is correction -- well, it's an 20 amendment of an oil and gas lease with -- with -- it 21 was originally with Texas Lone Star Petroleum. 22 Do you see that? 23 A. Yes. 24 Q. 676 acres. This was occurring in November 25 of 2006. At that point in time were you supervising</p>	<p>1 reported directly to H.L. 2 Q. And where was H.L. performing his duties 3 prior to becoming location manager? 4 A. He was hired by the bank from another 5 company. 6 Q. Okay. Take a look at Exhibit 58B for me, 7 please. Do you see this one's entitled Second 8 Amendment of Oil and Gas Lease? 9 A. Yes. 10 Q. And this is dated August 8, 2007. Do you 11 see that? 12 A. Yes. 13 Q. Do you recall if you had any discussions 14 with Pattie regarding this second amendment, this 15 Exhibit 58B? 16 A. Like a lot of these others before, there 17 probably were discussions but I can't recall exact 18 discussions regarding this document. 19 Q. All right. Take a look at 58C. It's 20 entitled Third Amendment of Oil and Gas Lease. It's 21 dated March 5th, 2008. 22 Do you recall any discussions with 23 Pattie Ormond regarding the negotiation of this 24 amendment? 25 A. Not particular discussions for this</p>

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<p>1 document.</p> <p>2 Q. Take a look at Exhibit 58D. This is</p> <p>3 entitled Fourth Amendment of Oil and Gas Lease, and</p> <p>4 it's July 16th, 2009.</p> <p>5 So, that would have been after you</p> <p>6 were gone, correct?</p> <p>7 A. Correct.</p> <p>8 Q. So, you wouldn't have any recollection of</p> <p>9 this one, correct?</p> <p>10 A. Correct, yes.</p> <p>11 Q. All right. Go to Exhibit 59.</p> <p>12 A. Okay.</p> <p>13 Q. This is an oil and gas lease dated</p> <p>14 July 25th, 2006 with Broad Oak involving 4224 acres.</p> <p>15 Do you recall any specific discussions</p> <p>16 with Pattie regarding this lease?</p> <p>17 A. I do not recall specific discussions.</p> <p>18 Q. Do you recall when it was that Pattie was</p> <p>19 hired by JP Morgan?</p> <p>20 A. I believe it was sometime in 2005 or 2006.</p> <p>21 Q. I've seen October 2005. Is that --</p> <p>22 A. That -- that might be correct.</p> <p>23 Q. All right. Take a look at oil and gas</p> <p>24 lease -- that's been marked as Exhibit 61. This is</p> <p>25 another Broad Oak lease.</p>	<p>1 documented any way?</p> <p>2 A. If it was through a formal committee or</p> <p>3 through e-mails possibly. But as far as documented</p> <p>4 any way other than that, I don't think so.</p> <p>5 Q. Well, did the mineral managers have set</p> <p>6 monthly or other scheduled meetings to discuss things</p> <p>7 when you were working there?</p> <p>8 A. I believe they were weekly calls, and I'm</p> <p>9 not sure how those -- I just don't recall how those</p> <p>10 were -- were documented, what the process was at that</p> <p>11 time.</p> <p>12 Q. Do you recall if there was any agendas</p> <p>13 prepared for these meetings?</p> <p>14 A. I don't remember exactly how they were</p> <p>15 handled.</p> <p>16 Q. Do you remember if any minutes were made at</p> <p>17 these meetings?</p> <p>18 A. I don't believe so, but I can't say for</p> <p>19 sure.</p> <p>20 Q. All right. Take a look at Exhibit 62A.</p> <p>21 Are you there?</p> <p>22 A. Yes, sir.</p> <p>23 Q. Okay. This is another Broad Oak lease --</p> <p>24 or actually it's an amendment, and it's dated after</p> <p>25 the time that you had already left.</p>
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<p>1 A. Okay.</p> <p>2 Q. This one's 3,094 acres and dated July 25th,</p> <p>3 2006.</p> <p>4 A. Okay.</p> <p>5 Q. Do you recall any specific discussions with</p> <p>6 Pattie Ormond regarding this particular lease?</p> <p>7 A. I'm sure it was discussed, but I don't</p> <p>8 recall particular discussions.</p> <p>9 Q. When you say that "I'm sure it was</p> <p>10 discussed," would that -- would that have been a</p> <p>11 face-to-face meeting?</p> <p>12 A. Possibly if she had come over here to</p> <p>13 Houston, or it could have been through a conversation</p> <p>14 on the phone that "This lease is being proposed and</p> <p>15 what does everyone think about it and here's my</p> <p>16 thoughts on it and here's what I found out through my</p> <p>17 due diligence and this is what I would propose that</p> <p>18 we do."</p> <p>19 MR. DROUGHT: Okay. Object to the</p> <p>20 nonresponsive part.</p> <p>21 Q. (BY MR. DROUGHT) My question was: Did you</p> <p>22 meet with her in person? And the answer is "I might</p> <p>23 have"?</p> <p>24 A. I don't recall if I did or not.</p> <p>25 Q. Okay. Were these discussions with Pattie</p>	<p>1 So, you wouldn't have any knowledge</p> <p>2 about this one?</p> <p>3 A. No.</p> <p>4 Q. Take a look at Exhibit 73 for me.</p> <p>5 A. 73? Okay.</p> <p>6 Q. This is a letter from Pioneer dated</p> <p>7 August 1, 2007, addressed to Pattie Ormond.</p> <p>8 Do you -- taking a look at this, do</p> <p>9 you have any recollection of this letter or the</p> <p>10 subject matter involved?</p> <p>11 A. I believe the subject matter was making a</p> <p>12 best effort at trying to get some of the old leases</p> <p>13 re-leased.</p> <p>14 Q. All right. And did you have any</p> <p>15 discussions with Pattie Ormond about the need or</p> <p>16 advisability of JP Morgan getting land released from</p> <p>17 Pioneer?</p> <p>18 A. I believe Pattie went through those files</p> <p>19 very thoroughly and came up with a lease summary and</p> <p>20 recommended that we obtain partial releases if</p> <p>21 possible for any outside acreage or deep rights.</p> <p>22 Q. And that would have been sometime before</p> <p>23 this August 21st, 2007 letter?</p> <p>24 A. I'm assuming so.</p> <p>25 Q. Because this is basically saying -- well,</p>

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<p>1 actually, it says, "In reference to your letter of 2 May 2nd, 2007, Pioneer feels that it effectively 3 developed" -- so, I'm assuming that Pattie Ormond or 4 somebody had sent a letter to somebody at Pioneer -- 5 A. I believe she notified all the -- all the 6 operators out there that had leases where it appeared 7 there was an opportunity for releasing part of the 8 acreage. 9 Q. Okay. So what did JP Morgan do when it got 10 this letter in August 2007 saying, essentially, that 11 Pioneer is not going to release any acreage? 12 A. I can't tell you what exactly was said, but 13 I'm sure there was discussions about "are there any 14 other options." 15 Q. And do you recall if JP Morgan exercised 16 any other options? 17 A. I don't recall. 18 Q. Okay. Take a look at Exhibit 115 for me, 19 please. This one I only have in here because it 20 gives the date of October 2005 and says that Pattie 21 joined JP Morgan and she's reporting to you. 22 A. Okay. 23 Q. So, that pins that down, doesn't it? 24 A. Yes. 25 Q. Take a look at Exhibit 145 for me, please.</p>	<p>1 should be there. 2 A. Okay. 3 Q. This exhibit has been marked 611 previously 4 and it says Oil, Gas and Mineral Policy Manual and 5 it's Policy No. 900.050. 6 Do you see that up at the top? 7 A. Yes. 8 Q. And the subject is Mineral Leasing? 9 A. Yes. 10 Q. And it -- it says this was issued in 1998 11 and it was revised in 2007. 12 Do you remember this particular policy 13 manual? I mean, this policy as we're looking at it 14 right now. 15 A. I'm assuming this is what was in place at 16 that time. 17 Q. And do you see where this one says that 18 acceptance of a lease agreement will require the 19 approval of the mineral manager and senior mineral 20 manager or, if unavailable, at least two mineral 21 managers? 22 A. Yes. 23 Q. Was that your understanding of the policy 24 when you were there in the time period of 2006, 2008? 25 A. With this in front of me, that should have</p>
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<p>1 A. 145? Okay. 2 Q. Yes, sir. This -- actually, turn to the 3 second page of that. 4 Were you familiar with the oil and gas 5 mineral policy manual when you were working for JP 6 Morgan? 7 A. I should have been. 8 Q. Were you? 9 A. I'll say that I knew what we were supposed 10 to do. You may have to refer back for particular 11 things to -- I mean, that was the whole purpose, was 12 to have something to refer back to. If you ask me to 13 stand up and repeat it, I couldn't do it, but I knew 14 what we were responsible for. 15 Q. And what was that? 16 A. To follow what was set out in the policies 17 and guidelines of the bank manual. 18 Q. But you're unsure what those policies and 19 guidelines are? 20 A. Well, I mean, there were there for us to 21 follow. I can't tell you verbatim what they all were 22 at that time. 23 Q. Okay. Well, take a look at -- this is 24 going to be buried further down, but I think it's 25 Exhibit 611. It's in your stack somewhere, but it</p>	<p>1 been the guidelines we were working under. 2 Q. All right. And I'll get back to that in a 3 minute. Let me ask you some questions about this 4 Exhibit 145 that I previously showed you. If you 5 turn to the second page -- 6 A. Okay. 7 Q. In one of those bullets in there it says, 8 "Leases with bonus payments and/or that include 9 200 acres or more approval of estates -- of the trust 10 and estates oil and gas committee." 11 Do you see that? 12 A. Yes. 13 Q. And is it your understanding that in the 14 2008 time period there was not a trust and estates 15 oil and gas committee? 16 A. As I mentioned a while ago, I don't recall 17 the exact structure that was in place. 18 Q. Take a look at Exhibit 154 for me, please. 19 Are you there? 20 A. Yes. 21 Q. Okay. This is an e-mail going back and 22 forth between Aaron Reeber -- did you know Aaron 23 Reeber? 24 A. Yes, I knew Aaron. 25 Q. Did you ever work under him?</p>

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<p>1 A. Never worked under him, no.</p> <p>2 Q. How did you know him?</p> <p>3 A. He was, I believe, the leader for the small</p> <p>4 business group.</p> <p>5 Q. For JP Morgan?</p> <p>6 A. Yes.</p> <p>7 Q. And --</p> <p>8 A. Closely-held group. Sorry.</p> <p>9 Q. You see the subject of this one is Future</p> <p>10 Plans for STS? Do you see that there on the subject</p> <p>11 line? It's right at the top.</p> <p>12 A. Okay. Yes, uh-huh.</p> <p>13 Q. And this is an e-mail dated December 17th,</p> <p>14 2009, which would have been after you left, correct?</p> <p>15 A. Yes.</p> <p>16 Q. But one of the things discussed in this</p> <p>17 particular e-mail is whether to sell mineral</p> <p>18 interests, distribute the proceeds, and collapse the</p> <p>19 trust.</p> <p>20 Do you see where that's written there?</p> <p>21 A. Yes, highlighted.</p> <p>22 Q. During the time when -- when Pattie first</p> <p>23 came on in October 2005, did you ever instruct her to</p> <p>24 liquidate the trust or to sell the trust or to</p> <p>25 distribute the assets?</p>	<p>1 A. No.</p> <p>2 Q. Mr. Crow, take a look at Exhibit 411,</p> <p>3 please.</p> <p>4 A. 411?</p> <p>5 Q. Yes. This is an annual report to the</p> <p>6 beneficiaries.</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And this one says 2006 on it. But if you</p> <p>10 turn to the second page, it was actually distributed</p> <p>11 to the beneficiaries in June of 2007.</p> <p>12 A. Okay.</p> <p>13 Q. My only question on this is -- well, first,</p> <p>14 have you ever seen this annual report before?</p> <p>15 A. I may have, but I don't recall.</p> <p>16 Q. Okay. Did you have any input in preparing</p> <p>17 this report? And if so, what part would you have</p> <p>18 prepared?</p> <p>19 A. (Witness reviews the document.) I don't</p> <p>20 see anything in here that I believe I would have been</p> <p>21 responsible for.</p> <p>22 Q. All right. Turn to Exhibit 429 for me,</p> <p>23 please.</p> <p>24 A. 429? Okay.</p> <p>25 Q. This is dated May 13th, 2008. You would</p>
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<p>1 A. That wouldn't have been our decision. So,</p> <p>2 the answer would be no.</p> <p>3 Q. Do you recall any -- anybody in the JP</p> <p>4 Morgan chain of command directing Pattie or</p> <p>5 instructing Pattie to begin work on liquidating the</p> <p>6 trust?</p> <p>7 A. I don't recall that.</p> <p>8 Q. Do you recall that subject coming up at all</p> <p>9 during the 2006, 2008 time period?</p> <p>10 A. If there were discussions, I do not recall</p> <p>11 them.</p> <p>12 Q. If -- if Pattie said that somebody at JP</p> <p>13 Morgan instructed her to dismantle or sell the trust</p> <p>14 or to shut it down and it wasn't you, who -- who else</p> <p>15 could that have been, if anybody?</p> <p>16 MR. WILLIAMS: Objection. Form.</p> <p>17 A. The basic structure is the trust</p> <p>18 administrator. So, they are basically in charge of</p> <p>19 most decisions regarding the trust itself and the</p> <p>20 mineral property managers were responsible for</p> <p>21 managing the mineral assets owned by the trust, but</p> <p>22 that would have been at a different level through a</p> <p>23 different group than the oil and gas group.</p> <p>24 Q. (BY MR. DROUGHT) It wouldn't have come</p> <p>25 through you at any rate. Right?</p>	<p>1 have still been with JP Morgan at that time. It's a</p> <p>2 memo from Pattie to the South Texas Syndicate Trust</p> <p>3 beneficiaries.</p> <p>4 Do you see that?</p> <p>5 A. Yes, sir.</p> <p>6 Q. My question here is: Did you approve --</p> <p>7 review and approve this memo before it went out to</p> <p>8 the beneficiaries?</p> <p>9 A. I don't believe I would have.</p> <p>10 Q. All right. The other thing I see here in</p> <p>11 that last paragraph, it says, "Al Leach, your</p> <p>12 fiduciary officer since 2003, is leaving the firm</p> <p>13 next month."</p> <p>14 Do you see that?</p> <p>15 A. Yes.</p> <p>16 Q. Did you know Al Leach?</p> <p>17 A. I met him. I didn't work with him on a</p> <p>18 regular basis.</p> <p>19 Q. Okay. The -- did you office in the same</p> <p>20 building with Mr. Leach?</p> <p>21 A. No. He was in the San Antonio office.</p> <p>22 Q. I see. And was he the person that came</p> <p>23 after John Flannery?</p> <p>24 A. Actually, he may have been there with John</p> <p>25 Flannery. John Flannery was an oil and gas manager</p>

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<p>1 and real estate manager and Al Leach was a trust 2 administrator. So, Al would have handled 3 administration of the trust and John would have 4 handled the oil and gas assets, but I don't know if 5 Al -- I'm making the assumption that Al was the 6 assigned administrator. I don't know that for a 7 fact. 8 Q. Did you know John Flannery? 9 A. Yes, I did. 10 Q. How did you know him. 11 A. I worked with John from, like, 1985 12 forward. He worked for M Bank. So, he was our 13 San Antonio office when we merged with -- when the M 14 Banks were formed. 15 Q. And was Mr. Flannery a fiduciary officer or 16 a mineral manager or both? 17 A. Mineral manager. 18 Q. Okay. And who would have been the 19 fiduciary officer then? 20 A. I don't recall. 21 Q. It could have been Al Leach? 22 A. It could have been. 23 Q. Take a look at Exhibit 493. 24 A. Okay. 25 Q. This is a -- a letter dated August 10th,</p>	<p>1 March 20th, 2008 to Buehler. 2 Do you see that? 3 A. Yes. 4 Q. And I don't see that you're copied on this, 5 but it starts off by saying that "Petrohawk is coming 6 in next Thursday to talk about leasing option -- 7 option, the deep prospects." 8 Do you see that? 9 A. Yes. 10 Q. Did you attend that meeting? 11 A. I don't recall attending any of the 12 meetings regarding the South Texas leases. 13 Q. Did you know -- based on your recollection 14 right now, did you know that Pattie was setting up 15 this meeting with Petrohawk to talk about this lease? 16 A. I'm guessing it was discussed in one of the 17 mineral manager meetings. I don't recall specifics, 18 but this would be the nature of something that would 19 have been discussed. 20 Q. And do you recall ever giving any advice -- 21 any specific advice to Pattie Ormond about any of 22 these Petrohawk leases? 23 A. Advise or consultation? Consultation, 24 probably on ideas, things maybe to talk about to do, 25 but it would be the same input that anybody else</p>
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<p>1 2006, JP Morgan, signed by Pattie to Robert Buehler. 2 Did you know Robert Buehler? 3 A. I believe I met him. 4 Q. Were you involved in the negotiations 5 involving this consulting agreement? 6 A. Directly, I do not believe so. 7 Q. And I'm not clear in my mind at what time 8 Pattie no longer reported to you but reported to 9 somebody else. 10 Can you help me out by maybe looking 11 at this date? 12 A. It would be when H.L. Tompkins was hired. 13 So, I'm assuming it was after this date. 14 Q. So, H.L. Tompkins came in and he became the 15 location manager in Houston and you were reporting to 16 him. Right? 17 A. Correct. 18 Q. And Pattie then was reporting to who? 19 A. I don't know if she reported -- I don't 20 recall if she reported to H.L. or if she reported 21 directly to David Herford. I believe she reported 22 directly to David Herford. 23 Q. Take a look at Exhibit 506 for me, please. 24 A. Okay. 25 Q. This is an e-mail from Pattie Ormond dated</p>	<p>1 would have had that she would have contacted in the 2 bank to get some direction, some assistance, some 3 feedback. 4 Q. Do you remember any specific consultations 5 that you would have assisted Pattie on? 6 A. I know that we talked about different 7 things. And because of the size of this interest, I 8 feel certain there were some discussions, but I don't 9 recall specifics and details. 10 Q. Look at Exhibit 509 for me, please. Do you 11 see that this is a JP Morgan document that says at 12 the top North American Equity Research, March 2008? 13 A. Yes. 14 Q. And it's talking about the Haynesville 15 shale. Do you see that? 16 A. Yes. 17 Q. In -- in March of 2008 were you familiar 18 with the Haynesville shale? 19 A. Yes. 20 Q. Were you familiar with the rapid increases 21 in bonuses that were occurring in the Haynesville 22 shale back in that 2008 time period? 23 A. Yes. 24 Q. And what -- how did you have knowledge of 25 the Haynesville shale?</p>

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<p>1 A. We had clients that were involved, and plus 2 it was the big news item in all the oil and gas 3 magazines. 4 Q. And did you know that Petrohawk was one of 5 the major players in the Haynesville shale? 6 A. I feel certain I was aware of that. 7 Q. And these other clients that you had in the 8 Haynesville shale, did they get to take advantage, to 9 your recollection, of any of these increasing bonuses 10 that were occurring? 11 A. I'm not sure my mineral portfolio had much 12 up in East Texas, but I know that we had accounts up 13 in East Texas that had some good leases. 14 Q. What -- what do you recall the highest 15 bonuses being that you-all were negotiating in the 16 Haynesville shale? 17 A. I know they were on the positive side of 10 18 probably. 19 Q. 10,000; is that right? 20 A. Maybe I'm getting that confused with 21 Barnett, but it was extremely more than what had been 22 paid for typical oil and gas work in years past. 23 Q. And this was something that you were aware 24 of in -- in early 2008, correct? 25 A. The Haynesville?</p>	<p>1 it. 2 Q. And would a letter like this be something 3 that would have to be run by -- I guess that's not 4 the correct terminology, but reviewed by another 5 mineral manager to -- before signing off on this? 6 A. I would assume this would be the type of 7 information that would have been discussed through 8 whatever forum was in place at that time. 9 Q. Well -- 10 A. I don't recall. 11 Q. I mean, just looking at this letter right 12 now, it's just got Ms. Ormond's signature on it. 13 Is it your understanding that before 14 she could sign this letter she would have to get the 15 approval of another mineral manager or somebody or 16 could she just do that on her own? 17 MR. WILLIAMS: Objection. Form. 18 A. I'm sure there was some procedure in place 19 for acceptance. 20 Q. (BY MR. DROUGHT) So, you think that 21 somebody else would have had to have approved this 22 letter before she signed it? 23 MR. WILLIAMS: Objection. Form. 24 A. I'm not sure about approval, but I'm sure 25 it was discussed. I just don't know the format or</p>
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<p>1 Q. Yes. 2 A. Yes. 3 Q. Do you recall ever having any discussions 4 with Pattie about, "Hey, this -- we have a major 5 shale player coming in in Petrohawk. Maybe we ought 6 to be thinking about upping the bonus" or anything? 7 Did you have any discussions with her 8 about that on these subsequent leases that we talked 9 about? 10 A. I don't recall the specifics of the 11 conversations, but I'm sure that the lease terms were 12 discussed. 13 Q. Take a look at Exhibit 511 for me, please. 14 A. Okay. 15 Q. This is a May 13th, 2008 letter signed by 16 Betty -- or by Patricia Ormond to Petrohawk, and 17 it's -- says Agreement to Recommend Leasing. 18 Do you see that? 19 A. Yes. 20 Q. And this involved those -- those first two 21 May leases. Do you see that? 22 A. Yes, sir. 23 Q. And do you -- do you recall ever seeing 24 this letter before? 25 A. I may have seen it. I don't recall seeing</p>	<p>1 the forum that was used at that time. 2 Q. (BY MR. DROUGHT) Take a look at Exhibit 514 3 for me, please. 4 A. Okay. 5 Q. This is an e-mail from Stan Kuddo. Do you 6 know Stan Kuddo? 7 A. Worked with him, but not on this particular 8 matter. 9 Q. Do you see in that last line he's saying, 10 "My management has asked me if I can work with you to 11 get the Mullin lease closed within three weeks." 12 Do you see that? 13 A. Yes. 14 Q. And "Will you please call and let me know 15 if this is possible?" Do you see that? 16 A. Yes. 17 Q. Okay. And then take a look at Exhibit 515. 18 It should be your next one. 19 A. Okay. 20 Q. This is Pattie Ormond to Mr. Buehler dated 21 June 11th, 2008, and do you see where Petrohawk was 22 calling at 7:00 in the morning and wants the rest of 23 the STS? 24 A. Yes. 25 Q. Did you know or get the sense that -- well,</p>

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<p>1 first let me ask you this.</p> <p>2 Did you know that Petrohawk was</p> <p>3 interested in acquiring all of the STS tracts back in</p> <p>4 the 2008 time period?</p> <p>5 A. I don't recall the specifics. I just know</p> <p>6 that there was a lot of lease activity going on.</p> <p>7 Q. Okay. Did you know that -- that Petrohawk</p> <p>8 was -- was pushing Pattie to hurry up and get these</p> <p>9 leases signed?</p> <p>10 A. I don't recall that.</p> <p>11 Q. Take a look at -- did you --</p> <p>12 A. Which exhibit are we on?</p> <p>13 Q. Well, I just kind of had a question pop in</p> <p>14 my head here.</p> <p>15 Did you have any awareness of any</p> <p>16 confidentiality that Petrohawk wanted to maintain</p> <p>17 regarding the leasing activity of the STS tracts in</p> <p>18 2008?</p> <p>19 A. I don't recall that.</p> <p>20 Q. Take a look at 5 -- Exhibit 524. I think</p> <p>21 it's one down from where you were.</p> <p>22 A. Okay.</p> <p>23 Q. Do you see in this paragraph that's</p> <p>24 highlighted they are talking about, "I suspect that</p> <p>25 we will be reporting the memo by the end of the</p>	<p>1 A. Yes, sir.</p> <p>2 Q. But do you see where she says in that third</p> <p>3 paragraph, "I am underwater and do not have the staff</p> <p>4 I need to address the many leases and drilling</p> <p>5 initiatives"?</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And she says, "I'm just simply trying to</p> <p>9 put out fires."</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. All right. Were you aware that in the --</p> <p>13 this time period of, say, the year 2008 that Pattie</p> <p>14 was complaining about she was overworked and</p> <p>15 understaffed?</p> <p>16 MR. WILLIAMS: Objection. Form.</p> <p>17 A. I'm sure there were conversations regarding</p> <p>18 that.</p> <p>19 Q. (BY MR. DROUGHT) Okay. Did she ever tell</p> <p>20 you that? Do you recall any conversations with you</p> <p>21 about --</p> <p>22 A. I don't recall specifics, but I'm sure it's</p> <p>23 the general nature of "need some assistance."</p> <p>24 Q. Yeah. Did you ever recommend to your</p> <p>25 supervisors that "We need to give Pattie some more</p>
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<p>1 year." I believe they are talking about the</p> <p>2 memorandum of lease. And it goes on to say, "So by,</p> <p>3 then it won't matter who knows Petrohawk is</p> <p>4 involved."</p> <p>5 Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. Were you aware that Petrohawk was</p> <p>8 interested in keeping its involvement in its leasing</p> <p>9 activity in the STS confidential?</p> <p>10 A. No, but it wouldn't surprise me.</p> <p>11 Q. Well, do you know if Pattie was agreeing</p> <p>12 with Petrohawk to keep the leasing activity that she</p> <p>13 was doing with Petrohawk confidential?</p> <p>14 A. I don't recall that.</p> <p>15 Q. Take a look at Exhibit 525 for me, please.</p> <p>16 A. Okay.</p> <p>17 Q. This is an e-mail from -- from Pattie to</p> <p>18 Stan Kuddo, and it's dated September 12th, 2008.</p> <p>19 Do you remember which date it was in</p> <p>20 September you left?</p> <p>21 A. September 11th.</p> <p>22 Q. That's a noteworthy day, isn't it?</p> <p>23 A. Yes.</p> <p>24 Q. All right. So, this would have been the</p> <p>25 day after you left?</p>	<p>1 assistance"?</p> <p>2 A. I wouldn't have been the one to make the</p> <p>3 call at this particular time, but I believe an</p> <p>4 assistant was hired at some point when she went over</p> <p>5 there initially to begin with on her own.</p> <p>6 Q. All right. Well, my question is, you know,</p> <p>7 while you were with JP Morgan did you ever go to your</p> <p>8 supervisor and say, "We need to give Pattie more help</p> <p>9 to -- to do her job"?</p> <p>10 A. If she reported to me, I probably would</p> <p>11 have initiated a request to open a position in</p> <p>12 San Antonio through requesting David Herford to fund</p> <p>13 that so that we could hire someone if it was during</p> <p>14 my time frame.</p> <p>15 Q. Okay. But you don't recall --</p> <p>16 A. I don't -- I don't recall.</p> <p>17 Q. Okay. Turn to 527. This is the e-mail I</p> <p>18 think that you probably saw earlier today.</p> <p>19 A. Yes.</p> <p>20 Q. Is that correct?</p> <p>21 A. Yes.</p> <p>22 Q. And at the bottom you say, "Pattie, I</p> <p>23 thought you might enjoy seeing the attached article</p> <p>24 from the front page of the business section of</p> <p>25 today's Houston Chronicle regarding Petrohawk eager</p>

13 (Pages 46 to 49)

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<p>1 for Discovery."</p> <p>2 So, you saw that article and sent it</p> <p>3 to Pattie Ormond in -- on October 22nd, 2008,</p> <p>4 correct?</p> <p>5 A. Yes, uh-huh.</p> <p>6 Q. And this was before Ms. Ormond signed the</p> <p>7 December 2008 Petrohawk leases; is that correct?</p> <p>8 A. I don't know when they were signed, but I</p> <p>9 would assume so.</p> <p>10 Q. Well, I think they were 15 -- Exhibits 15,</p> <p>11 17, and 19.</p> <p>12 A. It was December, yes, uh-huh.</p> <p>13 Q. And do you see where it says up there in</p> <p>14 her response, "They were here today," referring to</p> <p>15 Petrohawk. "We leased the last 37,000 acres to them</p> <p>16 today."</p> <p>17 Do you see where it says that?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall having any discussions with</p> <p>20 Pattie about leasing up the rest of the STS tracts to</p> <p>21 Petrohawk?</p> <p>22 A. No, I do not.</p> <p>23 Q. Talk a look at Exhibit 616 for me. It's</p> <p>24 down several, I believe.</p> <p>25 A. Okay.</p>	<p>1 A. I don't recall using that as a resource.</p> <p>2 Q. But did you look at it occasionally anyhow?</p> <p>3 A. I'm not sure I've ever been out on that</p> <p>4 website.</p> <p>5 Q. Turn to Exhibit 618 for me, please.</p> <p>6 A. Okay.</p> <p>7 Q. This one is an article from Oil & Gas</p> <p>8 Investor. If you look up at the top, it's talking</p> <p>9 about the Haynesville and it's -- it's in July of</p> <p>10 2008. And about halfway down it says, "JP Morgan</p> <p>11 research Joe Alman calculates the play is paying</p> <p>12 27,000 per acre."</p> <p>13 Do you see where I'm reading from?</p> <p>14 A. Yes, uh-huh.</p> <p>15 Q. And did you know Mr. Joe Alman?</p> <p>16 A. No.</p> <p>17 Q. And I take it you -- you don't recall</p> <p>18 seeing this article when it came out in July of 2008?</p> <p>19 A. I don't recall seeing it, but --</p> <p>20 Q. But you were aware that there was a lot of</p> <p>21 activity regarding bonus -- bonuses increasing in the</p> <p>22 Haynesville in this time period, correct?</p> <p>23 MR. WILLIAMS: Objection. Form.</p> <p>24 A. Yes.</p> <p>25 Q. (BY MR. DROUGHT) Pardon me?</p>
Page 51	Page 53
<p>1 Q. You see that this is a JP Morgan document?</p> <p>2 A. Yes.</p> <p>3 Q. And this one is from the Natural Resources</p> <p>4 Investment Banking Group.</p> <p>5 Do you see that?</p> <p>6 A. Yes.</p> <p>7 Q. You were aware, weren't you, that back in</p> <p>8 the 2008 time period JP Morgan had a branch that</p> <p>9 reviewed oil and gas investment banking matters and</p> <p>10 had clients that were in the oil and gas industry on</p> <p>11 a global basis? Were you aware of that?</p> <p>12 A. I'm aware that they had an investment</p> <p>13 banking group, yes.</p> <p>14 Q. Did you ever have any contact with the</p> <p>15 investment banking group while you were working with</p> <p>16 JP Morgan?</p> <p>17 A. Not that I recall.</p> <p>18 Q. Did you ever receive any brochures or</p> <p>19 documents or any kind of publications from the</p> <p>20 investment banking group while you were working for</p> <p>21 JP Morgan?</p> <p>22 A. I don't believe so.</p> <p>23 Q. Did you ever tap into their -- their web</p> <p>24 page to review what was going on in the investment</p> <p>25 banking side while you were working JP Morgan?</p>	<p>1 A. We kept our pulse on things or tried to the</p> <p>2 best we could.</p> <p>3 Q. Okay. Take a look at Exhibit 619 for me.</p> <p>4 This is -- this is a July 2008 article from Oil & Gas</p> <p>5 Investor again. This one is about the Haynesville,</p> <p>6 and it says, "Do I hear 50,000 an acre?"</p> <p>7 Do you see that?</p> <p>8 A. Yes.</p> <p>9 Q. And down towards the middle do you see</p> <p>10 where there's articles that were written like Shales</p> <p>11 Gone Wild and Shale Gas Play -- Play By Play?</p> <p>12 Do you see that?</p> <p>13 A. Yes.</p> <p>14 Q. And this is just more documentation that</p> <p>15 was out in the public arena regarding what was</p> <p>16 happening in the Haynesville during that time period;</p> <p>17 is that right?</p> <p>18 A. Correct.</p> <p>19 Q. And take a look at Exhibit 620 for me. Are</p> <p>20 you there?</p> <p>21 A. Yes, sir.</p> <p>22 Q. This one is another article in 2008, and</p> <p>23 it's talking about who are the shale gas players and</p> <p>24 where.</p> <p>25 Do you see that?</p>

14 (Pages 50 to 53)

Page 54	Page 56
<p>1 A. Yes.</p> <p>2 Q. And I won't read them all, but do you see</p> <p>3 it lists at least a dozen companies that are involved</p> <p>4 in the shale play?</p> <p>5 A. I do.</p> <p>6 Q. And were you familiar that -- that</p> <p>7 companies like Chesapeake and BP and Newfield and XTO</p> <p>8 and Shell and these other companies were involved in</p> <p>9 the shale playback in 2008?</p> <p>10 A. I'm sure we were because we would have been</p> <p>11 involved with them on leases in the Barnett shale and</p> <p>12 Haynesville shale and Marcellus.</p> <p>13 Q. Okay. Take a look at Exhibit 625 for me,</p> <p>14 please. This is actually an e-mail from Pattie to</p> <p>15 you dated May 13th, 2008.</p> <p>16 A. Right.</p> <p>17 Q. Do you see that?</p> <p>18 A. Yes.</p> <p>19 Q. And this -- where it says, "Thanks again</p> <p>20 for well committee language." So, this is where you</p> <p>21 would have given her some language about the lease.</p> <p>22 Right?</p> <p>23 A. She had probably requested if we had done</p> <p>24 other leases where we had changed a provision, and I</p> <p>25 probably sent her an example of what we had used in a</p>	<p>1 A. Was it while I was there?</p> <p>2 Q. Yeah.</p> <p>3 A. Then I'm sure that there were discussions</p> <p>4 on it.</p> <p>5 Q. You don't recall -- do you know what I'm</p> <p>6 talking about right now, the tract I'm talking about?</p> <p>7 A. I don't recall the specifics.</p> <p>8 Q. Okay. In that particular lease, Ms. Ormond</p> <p>9 granted an option on roughly 9700 acres and -- but if</p> <p>10 they exercised the option, they were going to have to</p> <p>11 take it one-fourths or 2500 acres each.</p> <p>12 Does that ring a bell with you?</p> <p>13 A. That sounds like a reasonable plan.</p> <p>14 Q. Right. So, do you -- do you have any</p> <p>15 explanation why Pattie would not have followed that</p> <p>16 plan that she executed with Whittier and BlackBrush</p> <p>17 when she was now negotiating with Petrohawk?</p> <p>18 A. I don't know the specifics. Again, I can</p> <p>19 just speculate.</p> <p>20 Q. All right. All right. Take a look at</p> <p>21 Exhibit 626 for me, please. My question here -- and</p> <p>22 this is, again, a couple of weeks after you left, but</p> <p>23 she says in that first paragraph, "I had to finish my</p> <p>24 month-end administrative reports."</p> <p>25 Do you see that?</p>
Page 55	Page 57
<p>1 prior lease.</p> <p>2 Q. And you see where she says, "I violated my</p> <p>3 rule against big leases"?</p> <p>4 A. Yes.</p> <p>5 Q. Did she ever discuss that with you?</p> <p>6 A. I'm sure it was discussed. I don't recall</p> <p>7 the specifics, but obviously it -- it was. There's</p> <p>8 an e-mail to that effect.</p> <p>9 Q. And you don't remember any specific</p> <p>10 discussions with her about that?</p> <p>11 A. Specifics, no. General, I've got an idea.</p> <p>12 Q. All right. What's the idea?</p> <p>13 A. Well, it would be to try not to -- try to</p> <p>14 keep the leases in a manageable size so that the</p> <p>15 clock doesn't start ticking on one.</p> <p>16 Q. Is that considered to be a prudent</p> <p>17 practice?</p> <p>18 A. In some cases. I guess the question is</p> <p>19 what acreage level? 10,000, 15,000, 5,000? So, that</p> <p>20 would have been the general discussion, but I don't</p> <p>21 recall the specifics for this particular transaction.</p> <p>22 Q. Do you remember when Pattie Ormond</p> <p>23 negotiated a seismic option with Whittier and</p> <p>24 BlackBrush on the tract -- the 9,000 acres in the</p> <p>25 middle of the STS tract?</p>	<p>1 A. Yes.</p> <p>2 Q. What are those?</p> <p>3 A. I'm assuming she's referring to the Reg 9</p> <p>4 reports that the bank had to do on an annual basis.</p> <p>5 Q. She says, "to finish my month-end," though.</p> <p>6 A. Well, they scheduled them -- instead of all</p> <p>7 being at the same time, they were scheduled at</p> <p>8 different times of the month -- of the year. So...</p> <p>9 Q. So, what type of Reg 9 report would have to</p> <p>10 be prepared?</p> <p>11 A. The bank had a format that you would go</p> <p>12 through. So, I mean, part of their procedures they</p> <p>13 had it in place what a Reg 9 -- as a matter of fact,</p> <p>14 I think -- again, I don't know if this is the way it</p> <p>15 was when I left, but used to have a form that showed</p> <p>16 up that you basically said this account is due a Reg</p> <p>17 9 and you would go through the steps.</p> <p>18 Q. All right. and that's a report that would</p> <p>19 go to the OCC?</p> <p>20 A. I don't know if it went to the OCC or if it</p> <p>21 was just an internal procedure and held.</p> <p>22 Q. And do you see down at the bottom it says,</p> <p>23 We could use another two hands, landmen, but we won't</p> <p>24 get them"?</p> <p>25 A. I see that.</p>

15 (Pages 54 to 57)

Page 58	Page 60
<p>1 Q. Were you aware that Pattie was terminated 2 from her employment with JP Morgan? 3 A. I don't know the specifics about it. I 4 just knew that she was no longer there. 5 Q. You just knew what? 6 A. She was no longer there. 7 Q. Okay. Take a look at Exhibit 628 for me, 8 please. 9 A. Okay. 10 Q. Now, this -- this is an administrative 11 committee mineral management group report that was 12 prepared by John Flannery back in July 1997. 13 Do you see that? 14 A. Yes. 15 Q. And I think this is close to what you had 16 described earlier, that you said -- the way the 17 practice was before the merger? 18 A. This looks in line with what we did prior 19 to the merger. 20 Q. And do you see where -- that before 21 accepting a proposal that the facts were set out and 22 the proposal was set out and the payments to STS were 23 set out and then there was a recommendation? 24 A. Yes. 25 Q. And then if you turn the page, do you see</p>	<p>1 knowledge that Petrohawk was really pushing to get 2 something done quick on this? 3 A. There may have been conversations, but I 4 don't recall specifics. 5 Q. Take a look at Exhibit 630. This is 6 another e-mail involving Stan Kuddo with Petrohawk, 7 and this would have been at a time you were still at 8 JP Morgan because it's July 2008. 9 Do you see that? 10 A. Yes. 11 Q. Down at the bottom Pattie is writing. She 12 says, "I normally would not execute a single lease 13 covering so much acreage, particularly in view of the 14 already large acreage covered by previous leases." 15 Do you see that? 16 A. Yes. 17 Q. And did you have any discussions with 18 Pattie about her not normally executing a single 19 lease covering so much acreage? 20 A. There may have been discussions, but I 21 don't recall specifics. 22 Q. But would you agree that that would -- that 23 would be abnormal or not usual to execute a single 24 lease covering so much acreage? 25 MR. WILLIAMS: Objection. Form.</p>
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<p>1 where there's an approval or disapproval for three 2 committee members to sign off on? 3 A. Yes. 4 Q. And that was the practice that you grew up 5 with, correct? 6 A. Basically, yes. 7 Q. And then this practice was eliminated or 8 discontinued after the merger; is that correct? 9 A. I think a better word would be 10 transitioned. I just don't recall what it 11 transitioned into. 12 Q. But it didn't transition into anything 13 similar to this Exhibit 628, did it? 14 A. I don't remember this form, no. 15 Q. This Exhibit 629, I talked about this a 16 little about earlier about were you aware of 17 Petrohawk's anxiousness to get something moving, 18 and -- and here this is a Petrohawk e-mail to Pattie 19 dated July 2008 and it starts off -- one of the 20 paragraphs, "Also can sign a letter and can begin to 21 firm up this deal by tomorrow." 22 Do you see that? 23 A. Yes. 24 Q. And, again, my -- after looking at this, 25 does this refresh your memory or did you have any</p>	<p>1 A. I believe that's what the concern was. 2 Q. (BY MR. DROUGHT) But the lease covering the 3 large acreage was nevertheless executed and approved, 4 correct? 5 A. The lease -- one more time, please. 6 Q. The lease covering the -- the 12,000 acres 7 or 15,000 acres, was -- it went through. I mean, it 8 was done? 9 A. So -- I assume so, yes. 10 Q. And here we have another -- this is 11 Exhibit 631. Do you see where we have an e-mail from 12 Petrohawk that says, "Can we sign a letter of intent 13 tomorrow to that effect?" 14 Do you see where it says that at the 15 top? 16 A. I see that. 17 Q. Again, does this ring any bell with you 18 that Petrohawk was really anxious to get something 19 done in a hurry? 20 MR. WILLIAMS: Objection. Form. 21 A. From the e-mail that would appear to be the 22 mode, but I don't recall specific conversations. 23 Q. (BY MR. DROUGHT) All right. Take a look at 24 Exhibit 643 for me, please. 25 A. 643? Okay.</p>

16 (Pages 58 to 61)

<p style="text-align: right;">Page 62</p> <p>1 Q. Now, here's my question. This is a an oil 2 and gas lease summary form, correct? 3 A. Yes. 4 Q. Okay. Have you seen this form before? 5 A. This looks familiar. 6 Q. Okay. Why are you not signing off on this 7 form? 8 MR. WILLIAMS: Objection. Form. 9 A. I was not the location manager at that time 10 and also, too, I believe Pattie may have been made a 11 location manager herself after a period of time. I 12 don't recall all the details of the structure of the 13 group, but when she moved to San Antonio she may have 14 been put into a similar position as H.L. Tompkins. 15 Q. (BY MR. DROUGHT) Okay. So in, May of 2008 16 when the first two Petrohawk leases were signed, 17 you -- you were not a part of the approval of the 18 lease summary? 19 A. No. All of our discussions today would 20 have been in a general format, "What do you think as 21 a mineral property manager?" Not "what do you 22 suggest as my manager?" 23 Q. All right. And then take a look at 24 Exhibit 644. This is the lease approval form for the 25 July 16th, 2008 lease.</p>	<p style="text-align: right;">Page 64</p> <p>1 Q. (BY MR. DROUGHT) Well, my question is: Was 2 it the practice to have her seen these forms? Is 3 that your understanding? 4 MR. WILLIAMS: Objection. Form. 5 A. In most cases you would think that's what 6 would take place. 7 (Exhibit 795 marked) 8 Q. (BY MR. DROUGHT) All right. Take a look at 9 Exhibit 795, which is a new exhibit to the 10 collection. 11 A. Okay. 12 Q. Actually, I just put together some other 13 lease summary forms because your name is on these. 14 A. Okay. 15 Q. Do you see the first one on Anchor? 16 A. Yes, uh-huh. 17 Q. And I guess my question is: You were 18 signing off with Pattie on the Anchor lease, and if 19 you turn the page to the Tucker lease and the Texas 20 Lone Star Petroleum lease -- 21 A. Yes. 22 Q. And to the Whittier Energy lease. 23 A. Okay. 24 Q. And to the Broad Oak Energy lease. 25 Do you see that?</p>
<p style="text-align: right;">Page 63</p> <p>1 Do you see that? 2 A. Yes. 3 Q. And, again, you're not signing off 4 approving the lease form, are you? 5 A. That's correct. 6 Q. All right. And then take a look at 7 Exhibit 645. Do you see that this is the approval 8 form for the December 2008 leases? 9 A. Yes, yes. 10 Q. And can you explain to me why we have 11 Pattie Ormond's signature -- or not her signature but 12 a line there and -- and H.L. Tompkins is signing off 13 on that one? 14 Do you have any understanding of what 15 was going on here? 16 A. No, I don't. 17 Q. These forms we've been provided do not have 18 Pattie's signature on them. 19 Was it the practice that she should 20 have signed this form? 21 MR. WILLIAMS: Objection. Form. 22 Objection. Form. 23 A. I don't know if she wasn't available during 24 that time or -- I don't know what the situation would 25 have been.</p>	<p style="text-align: right;">Page 65</p> <p>1 A. Yes. 2 Q. Why are you signing off on these particular 3 form but you are not signing off on the Petrohawk 4 ones, the six Petrohawk leases? 5 A. I'm speculating, but I believe when she 6 moved over to San Antonio they might have made her 7 the equivalent of a location manager, which wouldn't 8 report to me. Also, too, I believe these were 9 executed while she was in Houston. 10 MR. DROUGHT: All right. Let's go 11 ahead and change the tape. 12 VIDEOGRAPHER: Off the record. The 13 time is 1 -- 2:46. 14 (Recess from 2:46 p.m. to 2:50 p.m.) 15 (Exhibit 796 marked) 16 VIDEOGRAPHER: This is the beginning 17 of Tape No. 2. On the record, and the time is 2:50. 18 MR. DROUGHT: Mr. Crow, that's all the 19 questions I have right now. I may have some later, 20 but I think Mr. Williams has some questions for you. 21 EXAMINATION 22 Q. (BY MR. DROUGHT) Mr. Crow, I just wanted to 23 see if we could nail down more clearly when you were 24 in charge of the Houston office. 25 As I understand it, Mr. Steve Cranford</p>

17 (Pages 62 to 65)

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<p>1 was in charge of the Houston office and he left and 2 at that point in time you became the Houston location 3 manager; is that correct? 4 A. That's correct. 5 Q. In that role, you supervised other mineral 6 managers and other personnel in the Houston office? 7 A. In the Houston office, correct. 8 Q. And also in that role you interviewed and 9 hired Patricia Ormond, correct? 10 A. Correct. 11 Q. And you hired her as a general manager for 12 JP Morgan? 13 A. We did, yes. 14 Q. And she was to be employed in the Houston 15 office? 16 A. That was a question at the time I hired, 17 but that's where she started. 18 Q. Okay. And then she worked for some period 19 in the Houston office and then she was relocated to 20 the San Antonio office? 21 A. Right. 22 Q. And as I recall, the San Antonio office had 23 been closed. So, she was sent to reopen the 24 San Antonio office? 25 A. And, again, I don't remember the specifics</p>	<p>1 January 31st, 2006, correct? 2 A. Right. 3 Q. And can you tell me just in general what 4 this particular form is or was for JP Morgan at that 5 time? 6 A. Just a form annual assessment that everyone 7 had to go through with their manager. 8 Q. And it included a section where the 9 employee would do some self-assessment? 10 A. Right. 11 Q. And then feedback from the manager, 12 correct? 13 A. Correct. 14 Q. And you were her manager on this particular 15 appraisal? 16 A. Yes. I was at this time, yes. 17 Q. And so, would the comments that you made on 18 this appraisal with respect to her job performance 19 have been accurate at the time? 20 A. It was my opinion of her at that time. 21 Q. Okay. If you look at the third page of 22 Exhibit 796, you see there about three quarters of 23 the way down it says, "Greg's comments"? 24 A. Yes. 25 Q. Would those have been your comments?</p>
Page 67	Page 69
<p>1 but it might have been to spend a period of time in 2 Houston just to get used to -- to have someone to 3 train with, get used to things. I don't recall if 4 the decision was made to later make a change or if 5 that was a change -- that was the plan initially and 6 she worked out of our office for a period of time. I 7 just -- I don't recall the specifics. But, yes, she 8 was hired and she was moved over to the San Antonio 9 office. 10 Q. Okay. And so, for some period of time, 11 then, you were her -- her direct manager, correct? 12 A. Yes. 13 Q. And what were your impressions generally of 14 her in her role as a general manager at JP Morgan? 15 A. I was impressed with her knowledge of not 16 only land management but fiduciary land management. 17 Q. And was she a good employee in your 18 opinion? 19 A. I believe so. 20 Q. Let me hand you what's been marked as 21 Exhibit 796. 22 Q. Mr. Crow, this appears to be the 2006 23 appraisal for Patricia Ormond; is that correct? 24 A. It appears to be, yes, uh-huh. 25 Q. For the period of January 1, 2006 through</p>	<p>1 A. Yes. 2 Q. In your comments you say, "We are very 3 fortunate to have Pattie on the JP Morgan oil and gas 4 team. I consider her to be one of our strongest 5 mineral property managers in the JP oil and gas 6 group." 7 So, that was your opinion of her at 8 that time, correct? 9 A. Yes. Yes, it was. 10 Q. Did your -- did your opinion of her ever 11 change? 12 A. No. 13 Q. So, did you always consider Ms. Ormond to 14 be one of the strongest mineral property managers in 15 the JP Morgan oil and gas group? 16 A. I would consider her one of the people that 17 I would have asked advice from. 18 Q. And you, in fact, did ask advice from her 19 from time to time? 20 A. Yes. 21 Q. Now, Mr. Crow, were you familiar with -- in 22 general with Ms. Ormond's work with the South Texas 23 Syndicate Trust? 24 A. The generals that we talked about today. 25 Not specifics, but I do recall lots of discussions</p>

18 (Pages 66 to 69)

<p style="text-align: right;">Page 70</p> <p>1 because it was an active account.</p> <p>2 Q. Okay. And in terms of her work with South</p> <p>3 Texas Syndicate Trust, were you aware of efforts that</p> <p>4 she made to try to generate interest for South Texas</p> <p>5 Syndicate?</p> <p>6 A. Yes.</p> <p>7 Q. And what were you aware of her doing?</p> <p>8 A. She had gone through the files to read all</p> <p>9 the old leases to try to determine what acreage was</p> <p>10 available for release, attempted to get releases of</p> <p>11 that acreage, worked with -- I don't know if he's a</p> <p>12 geologist or geophysicist, but the gentleman</p> <p>13 Mr. Buehler referenced in some of those e-mails to</p> <p>14 review some of the seismic data and I guess well</p> <p>15 logs, whatever else they had in their files to get a</p> <p>16 better understanding of exactly what -- what they had</p> <p>17 besides owning minerals under that large tract,</p> <p>18 what -- what information they could glean from those</p> <p>19 files.</p> <p>20 Q. Okay. And were you aware of her doing any</p> <p>21 specific marketing with respect to the acreage?</p> <p>22 A. The only specific I know is that there was</p> <p>23 a packet put together for the landman's NAPE</p> <p>24 conference here.</p> <p>25 Q. Okay. And tell me what the NAPE conference</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. Would you say that's a fair exposure of</p> <p>2 a -- for a lessor of a potential leasing opportunity</p> <p>3 to an exploration company?</p> <p>4 MR. DROUGHT: Objection. Form.</p> <p>5 A. I'm not sure about "fair exposure," but</p> <p>6 it's a very good exposure. I'm not sure where you</p> <p>7 could expose it more so.</p> <p>8 Q. (BY MR. WILLIAMS) Okay. Now, Mr. Drought</p> <p>9 has asked you some questions about these calls that</p> <p>10 the mineral management group at JP Morgan would have.</p> <p>11 Can you tell us a little more in</p> <p>12 detail as to what -- well, first of all, how often</p> <p>13 did you have these calls?</p> <p>14 A. I don't recall if they were monthly or</p> <p>15 weekly, but they were scheduled calls to go over</p> <p>16 various matters.</p> <p>17 Q. So, they were on some regular --</p> <p>18 A. They were on a regular basis. I don't</p> <p>19 recall the basis.</p> <p>20 Q. And these were conference calls attended by</p> <p>21 all the mineral managers?</p> <p>22 A. Some by all, some by location managers.</p> <p>23 Q. Okay. And by location managers, you would</p> <p>24 have the Houston office, San Antonio office, Dallas,</p> <p>25 Fort Worth, et cetera?</p>
<p style="text-align: right;">Page 71</p> <p>1 is.</p> <p>2 A. It's a conference put on the by the</p> <p>3 Landman's Association where people come in from all</p> <p>4 over the United States -- all over the world, for</p> <p>5 that matter -- to show prospects.</p> <p>6 Q. And so, you're aware that -- that Patricia</p> <p>7 Ormond of JP Morgan specifically showed the South</p> <p>8 Texas Syndicate as being a leasing prospect at NAPE?</p> <p>9 A. Yes.</p> <p>10 Q. And was that at the NAPE show in 2007?</p> <p>11 A. I don't remember the dates. It was</p> <p>12 probably 2007.</p> <p>13 Q. And also 2008?</p> <p>14 A. Yes.</p> <p>15 Q. And you attended those --</p> <p>16 A. Yes.</p> <p>17 Q. -- those meetings?</p> <p>18 A. Yes, I did.</p> <p>19 Q. Okay. In terms of who attends NAPE, is it</p> <p>20 safe to say that most of the major exploration</p> <p>21 companies attend NAPE?</p> <p>22 A. Yes, that would be a fair statement.</p> <p>23 Q. Okay. And they attend NAPE for the purpose</p> <p>24 of looking for potential drilling prospects?</p> <p>25 A. Or showing them.</p>	<p style="text-align: right;">Page 73</p> <p>1 A. Correct.</p> <p>2 Q. So, all the mineral managers and/or</p> <p>3 location managers from those offices would be on</p> <p>4 these calls?</p> <p>5 A. Yes.</p> <p>6 Q. And then the director of oil and gas would</p> <p>7 be on the calls, as well?</p> <p>8 A. Correct.</p> <p>9 Q. And for some period of time or during this</p> <p>10 period of time in '08 that would have been who?</p> <p>11 A. From Houston for the location manager</p> <p>12 calls, it would have been H.L.. If it was a general</p> <p>13 call for all property managers, I would have been on</p> <p>14 the call, as well.</p> <p>15 Q. Okay. And can you tell me just in general</p> <p>16 what would take place during these calls?</p> <p>17 A. Generally it was talking about leases that</p> <p>18 were being worked on, leases that had been recently</p> <p>19 agreed to, maybe they were discussed before and</p> <p>20 finalized, procedures, status of monthly reviews,</p> <p>21 checks that needed to be cleared that were coming on,</p> <p>22 you know, the scheduled date to get stuff into the --</p> <p>23 out of the DDA account.</p> <p>24 So, it was basically a status call</p> <p>25 to -- to go over leases and just other general</p>

19 (Pages 70 to 73)

<p style="text-align: right;">Page 74</p> <p>1 matters pertaining to the group.</p> <p>2 Q. So, specifically with regard to leasing if</p> <p>3 you, for example, had a potential lease offer for one</p> <p>4 of the mineral interests that you were administering,</p> <p>5 would you discuss it during these calls with the</p> <p>6 other mineral managers?</p> <p>7 A. That would be the best forum for it, but</p> <p>8 there might also be some one-off calls just calling</p> <p>9 somebody. If I had a lease offer in Oklahoma -- I</p> <p>10 mean, we might discuss it in general on the call, but</p> <p>11 I might pick up the phone and call whoever my contact</p> <p>12 was up there or wherever I felt best suited to, you</p> <p>13 know, discuss with it them one-on-one.</p> <p>14 So, it doesn't necessarily have to be</p> <p>15 a call, but that was kind of a common practice. That</p> <p>16 was the purpose of the calls, was to make the whole</p> <p>17 group aware, but there were probably one-off calls</p> <p>18 just asking people for their opinion, if they felt</p> <p>19 like that was their area where they could help you</p> <p>20 out.</p> <p>21 Q. Okay. And so, on these mineral manager</p> <p>22 calls there would be discussion, for example, as to</p> <p>23 bonus terms being offered on a lease?</p> <p>24 A. Yes.</p> <p>25 Q. Royalty rates being offered?</p>	<p style="text-align: right;">Page 76</p> <p>1 A. They probably would have been discussed in</p> <p>2 that forum.</p> <p>3 Q. (BY MR. WILLIAMS) Okay. That would be the</p> <p>4 standard protocol at the time, correct?</p> <p>5 MR. DROUGHT: Objection. Leading.</p> <p>6 A. Any leases of significance would probably</p> <p>7 have been discussed in that forum.</p> <p>8 Q. (BY MR. WILLIAMS) All right. Now, you</p> <p>9 mentioned that prior to the Bank One merger you said</p> <p>10 there was a committee structure that was involved in</p> <p>11 the crude oil leases, correct?</p> <p>12 A. Yes.</p> <p>13 Q. And if I understood your testimony, you</p> <p>14 said that the mineral manager would basically make</p> <p>15 the trade, write up the trade or write up the -- the</p> <p>16 deal on some kind of form, and then present it to the</p> <p>17 trust committee that would stamp approved?</p> <p>18 A. That was the old procedure at Chase Bank</p> <p>19 Houston.</p> <p>20 Q. Okay. So, you wouldn't -- so, for example,</p> <p>21 if you had a particular lease that you were seeking</p> <p>22 approval for, would you attend a meeting of a lease</p> <p>23 committee and make a presentation?</p> <p>24 A. No. Typically it would be to present it to</p> <p>25 the senior manager of the location and then present</p>
<p style="text-align: right;">Page 75</p> <p>1 A. Yes.</p> <p>2 Q. Other important provisions of the lease?</p> <p>3 A. Correct.</p> <p>4 Q. All right. And so, when you were answering</p> <p>5 Mr. Drought's questions about discussions pertaining</p> <p>6 to the Petrohawk leases -- if I understand your</p> <p>7 testimony -- while you don't -- sitting here today</p> <p>8 five years later you don't remember maybe specific</p> <p>9 conversations, you feel certain that those leases</p> <p>10 would have been discussed during these calls?</p> <p>11 MR. DROUGHT: Objection. Leading.</p> <p>12 A. I'm sure Pattie and I did discuss those</p> <p>13 leases because we were both senior property managers</p> <p>14 and we would bounce ideas off each other. But I'm</p> <p>15 sure she would call other people to discuss it, as</p> <p>16 well. It wasn't just me.</p> <p>17 Q. (BY MR. WILLIAMS) Okay. I'm really -- and</p> <p>18 I understand about the one-on-one calls, but I'm</p> <p>19 really asking specifically about these regular</p> <p>20 mineral manager calls.</p> <p>21 A. Right.</p> <p>22 Q. Would it be your expectation following the</p> <p>23 JP Morgan procedures at the time that the Petrohawk</p> <p>24 leases would have been discussed?</p> <p>25 MR. DROUGHT: Objection. Form.</p>	<p style="text-align: right;">Page 77</p> <p>1 it to the trust office who managed the accounts and</p> <p>2 knew the relationship and then it would go to a</p> <p>3 formal trust committee that would discuss it and</p> <p>4 approve it and then sent it back to the group. That</p> <p>5 was the procedure at Chase.</p> <p>6 Q. So, whatever deliberation or approval</p> <p>7 process the committee went through, you wouldn't be</p> <p>8 part of that as a mineral manager?</p> <p>9 A. No, other than you were submitting a</p> <p>10 recommendation for that particular trade.</p> <p>11 Q. Okay. So, there wouldn't be a discussion</p> <p>12 between you as the subject matter expert and the</p> <p>13 trust committee as to the particulars of a lease that</p> <p>14 you were recommending?</p> <p>15 A. Unless there was a question regarding the</p> <p>16 transaction itself.</p> <p>17 MR. DROUGHT: Objection. Form.</p> <p>18 Q. (BY MR. WILLIAMS) But in general --</p> <p>19 A. In general, no. If they had an issue with</p> <p>20 it, yes.</p> <p>21 Q. Now, Mr. Drought was asking you some</p> <p>22 questions about procedures that were in place in 2008</p> <p>23 regarding the approval of leases, and I believe you</p> <p>24 said you don't recall sitting here today exactly what</p> <p>25 the procedures were, correct?</p>

20 (Pages 74 to 77)

Page 78	Page 80
<p>1 A. No, but it was very helpful seeing the</p> <p>2 summaries that were attached and the signatures on</p> <p>3 there. Those look very familiar. I believe the</p> <p>4 process was a little different than going through a</p> <p>5 trust committee. It did involve someone signing off</p> <p>6 on those forms.</p> <p>7 Q. Okay. Are you aware of Pattie Ormond ever</p> <p>8 not following JP Morgan's policies and procedures?</p> <p>9 A. I'm not aware of it.</p> <p>10 Q. The Reg 9 reports that you were mentioning,</p> <p>11 were those also called account reviews?</p> <p>12 A. They were called a lot of things, but</p> <p>13 that's two -- that's what you heard. So, Reg 9 or</p> <p>14 account review.</p> <p>15 Q. As I understand it, these were annual</p> <p>16 reviews that had to be done for each account, but</p> <p>17 they were staggered so you would do a certain portion</p> <p>18 of them monthly, each month?</p> <p>19 A. Correct, yes.</p> <p>20 Q. Mr. Crow, Mr. Drought was asking you some</p> <p>21 questions about the Haynesville shale and he was</p> <p>22 showing you some exhibits that talked about the</p> <p>23 bonuses that were being offered and paid on the</p> <p>24 Haynesville shale, say, in the summer of 2008.</p> <p>25 Do you recall that? And there were</p>	<p>1 Q. Right. And gas went from what to what?</p> <p>2 A. I would say it was on the 10-dollar plus</p> <p>3 side and probably got down to at least the lower 3s,</p> <p>4 if not further. I don't remember the exact numbers.</p> <p>5 It was just a significant change.</p> <p>6 Q. And have the gas prices even recovered from</p> <p>7 that time frame today?</p> <p>8 A. Not to the extent of oil, but yes.</p> <p>9 (Exhibit 797 marked)</p> <p>10 Q. (BY MR. WILLIAMS) Mr. Crow, let me hand you</p> <p>11 what's been marked Exhibit 797 and just ask you, is</p> <p>12 this an e-mail that you sent to Patricia Ormond</p> <p>13 September 11, 2006?</p> <p>14 A. Obviously so, yes.</p> <p>15 Q. Okay. And in this e-mail change Ms. Ormond</p> <p>16 has forwarded to you an e-mail from a Lynda Haas who</p> <p>17 I believe is an STS beneficiary, correct?</p> <p>18 A. I believe she must have been, yes.</p> <p>19 Q. All right. And you tell Ms. Ormond in your</p> <p>20 e-mail, "You are doing a great job and we are very</p> <p>21 fortunate to have you on the JP Morgan oil and gas</p> <p>22 team," correct?</p> <p>23 A. Yes.</p> <p>24 Q. And those were your thoughts at the time,</p> <p>25 correct?</p>
Page 79	Page 81
<p>1 some pretty large bonuses being paid?</p> <p>2 A. Yes, there were.</p> <p>3 Q. What happened -- do you know what happened</p> <p>4 in the Haynesville shale, say, later in 2008?</p> <p>5 A. Well, I can remember the time frame, but</p> <p>6 lots of things changed in the fall of 2008.</p> <p>7 Q. And tell me what changed.</p> <p>8 A. The price of oil from 130 to 40s, I guess,</p> <p>9 and the price of gas from 10 plus to 2.</p> <p>10 Q. And how did that affect oil and gas leasing</p> <p>11 at that time, as you recall?</p> <p>12 A. Pretty much they shut down Barnett shale</p> <p>13 and Haynesville.</p> <p>14 Q. Okay. This was part of the kind of</p> <p>15 economic meltdown, from what I remember, in 2008?</p> <p>16 A. Coupled with that, yes, uh-huh.</p> <p>17 Q. And so, you do remember that bonuses</p> <p>18 plummeted in -- towards the end of 2008, correct?</p> <p>19 A. Yes. I don't know if 2008 is right, but</p> <p>20 it's in that time frame. Things -- things changed.</p> <p>21 Q. The price of oil, I think, as you recall</p> <p>22 went down to what?</p> <p>23 A. I want to say it got down to the upper 40s,</p> <p>24 50s. I don't remember the exact number, but it was a</p> <p>25 lot less than 130.</p>	<p>1 A. Yes, they were.</p> <p>2 Q. All right, sir. Let me hand you</p> <p>3 Exhibit 798 to your deposition.</p> <p>4 (Exhibit 798 marked)</p> <p>5 Q. (BY MR. WILLIAMS) And I believe this is an</p> <p>6 e-mail chain where you forward the e-mail from Lynda</p> <p>7 has -- Lynda Haas had sent an e-mail to Patricia</p> <p>8 Ormond in September 11, 2006, and then you forward</p> <p>9 this e-mail on to David Herford and Paul Midkiff.</p> <p>10 Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. David Herford, who was he?</p> <p>13 A. David Herford would have been head of the</p> <p>14 oil and gas group I believe at that time.</p> <p>15 Q. And who was Paul Midkiff?</p> <p>16 A. David would have reported to Paul. He was</p> <p>17 in charge of what they refer to as specialty assets.</p> <p>18 Q. Okay. And you say in this e-mail to David</p> <p>19 and Paul Midkiff, "Just wanted to share this e-mail</p> <p>20 with both of you that not only highlights the</p> <p>21 relationships that Pattie is developing with her</p> <p>22 clients but also highlights Pattie's efforts to</p> <p>23 enhance the value of her clients' mineral assets.</p> <p>24 Pattie can provide you with the specifics of what she</p> <p>25 has done to enhance the value of the South Texas</p>

21 (Pages 78 to 81)

<p style="text-align: right;">Page 82</p> <p>1 Syndicate minerals if you want to examples for your 2 presentations."</p> <p>3 And what were you aware of her doing 4 in terms of trying to enhance the value of the South 5 Texas Syndicate minerals?</p> <p>6 A. Based on the date of this e-mail and her 7 hiring, I assume that's the period of time where she 8 went through those files and located the seismic 9 data, reviewed the leases, came up with acreage that 10 was available for lease, and I'm not sure what else 11 would have been done after that point. Probably 12 discussions based on some of these leases that were 13 done with some of the oil companies.</p> <p>14 Q. Were you also aware of her organizing 15 meetings of the STS beneficiaries?</p> <p>16 A. I do recall her having meetings.</p> <p>17 Q. And do you know if that had been done 18 before?</p> <p>19 A. That I would not know. 20 (Exhibit 799 marked)</p> <p>21 Q. (BY MR. WILLIAMS) All right, sir. Let me 22 hand you what's been marked Exhibit 799.</p> <p>23 A. (Witness reviews the document.)</p> <p>24 Q. Let me ask you: Is Exhibit 799 an e-mail 25 that you sent to Paul Midkiff and David Herford</p>	<p style="text-align: right;">Page 84</p> <p>1 were made at that time in 2006.</p> <p>2 MR. WILLIAMS: Can we take a short 3 break?</p> <p>4 MR. DROUGHT: Sure.</p> <p>5 VIDEOGRAPHER: Off the record. The 6 time is 3:12. 7 (Recess from 3:12 p.m. to 3:13 p.m.) 8 VIDEOGRAPHER: On the record, and the 9 time is 3:13.</p> <p>10 Q. (BY MR. WILLIAMS) Mr. Crow, when you were a 11 mineral manager at JP Morgan in 2008 can you tell me 12 just in general what kind of due diligence process 13 you would go through when you were evaluating a lease 14 offer and whether or not to make a decision to enter 15 into a lease?</p> <p>16 A. We had a normal of -- you know, different 17 resources to pull from: Looking at past leases that 18 the bank had done in that area if it was an area that 19 we had a lot of property, looking at leases on 20 drilling info if that was a county that was covered 21 by the service. Basically just trying to find other 22 people that had minerals in the area and talking to 23 them about what they had seen. So, calling other 24 mineral property managers that you felt like had 25 acreage in that area and asking them about the terms.</p>
<p style="text-align: right;">Page 83</p> <p>1 regarding Pattie Ormond and her work on the South 2 Texas Syndicate?</p> <p>3 A. Yes.</p> <p>4 Q. Okay. In that e-mail you say that "Pattie 5 had done an excellent job managing the mineral assets 6 owned by the South Texas Syndicate Group. Pattie 7 arranged a meeting last Friday in San Antonio for a 8 number of the shareholders."</p> <p>9 That would be her organizing an STS --</p> <p>10 A. Yes.</p> <p>11 Q. -- beneficiary meeting that we discussed, 12 correct?</p> <p>13 A. Yes.</p> <p>14 Q. "Pattie presented an overview of the recent 15 lease activity and production from the property. And 16 then on down in the e-mail you say, "Pattie has been 17 very proactive managing this account and has 18 generated significant bonus income in the past 12 19 months, largely as a result of her work promoting 20 this acreage."</p> <p>21 So, it was your thought at the time 22 when you wrote this e-mail that Pattie's efforts had 23 resulted in the generation of significant bonus 24 income for this account, correct?</p> <p>25 A. I believe there were some good leases that</p>	<p style="text-align: right;">Page 85</p> <p>1 It's pretty much the same thing we do today, just 2 trying to get current information on what's going on 3 in an area.</p> <p>4 Q. Okay. So, when you were a JP Morgan 5 mineral manager, that was basically the due diligence 6 process that you would go through?</p> <p>7 A. Yes.</p> <p>8 Q. And to your knowledge is that what in 9 general the mineral managers would do?</p> <p>10 A. It's what we should have done, yes.</p> <p>11 Q. Okay. And you said -- and I was going to 12 ask you this anyway, but has that process really 13 changed for you in your work today as a mineral 14 manager?</p> <p>15 A. No. Very similar.</p> <p>16 Q. Okay. And just so we understand, there's 17 no publicly-available source where you can go and 18 find out necessarily reliable information about 19 bonuses that are being paid for leases?</p> <p>20 A. The only public source is BLM and state 21 sites if it's state or federal lands. If you've got 22 acreage nearby, you might get a little bit of 23 information about the bonus, but by and large it's 24 going to be calling somebody and asking them.</p> <p>25 Q. Okay.</p>

22 (Pages 82 to 85)

Page 86	Page 88
<p>1 MR. WILLIAMS: Thank you very much, 2 sir. Pass the witness. 3 MR. DROUGHT: I have just a few other 4 questions. 5 FURTHER EXAMINATION 6 Q. (BY MR. DROUGHT) Mr. Williams talked to you 7 about the slow-down in the oil and gas industry, but 8 that didn't slow down Petrohawk, did it? 9 MR. WILLIAMS: Objection. Form. 10 A. That was after my time. I'm not sure what 11 they did with the property other than I saw that one 12 well that was drilled. I haven't followed it since 13 then. 14 Q. (BY MR. DROUGHT) Well, I showed you three 15 leases that were signed in December 2008. Right? 16 A. Right. 17 Q. So, at least it wasn't slowing down 18 Petrohawk, was it? 19 A. Didn't seem to be, no. 20 MR. WILLIAMS: Objection. Form. 21 Q. (BY MR. DROUGHT) Do you know why Pattie was 22 fired? 23 MR. WILLIAMS: Objection. Form. 24 A. I never asked specifics. I just knew she 25 was no longer at the bank.</p>	<p>1 you had ever seen in the State of Texas? 2 A. Most remarkable? 3 Q. Yes. 4 A. It's significant. I haven't thought of it 5 in that context, as the most remarkable. 6 Q. If Pattie Ormond said to the beneficiaries 7 that this was the most remarkable asset that I have 8 seen in 35 years of being a landman in the State of 9 Texas and nobody gets a second chance at something 10 like this, would you agree with that statement? 11 A. It seems fairly accurate. 12 Q. Okay. Would you agree with this statement 13 that she made at this meeting: "I don't think JP 14 Morgan is really on top of what's happening in the 15 market and is not keeping pace with what land owners 16 are doing generally"? 17 Would you agree with that statement? 18 MR. WILLIAMS: Objection. Form. 19 A. I don't know what the context was of that 20 conversation. 21 Q. (BY MR. DROUGHT) All right. How about this 22 statement by Pattie Ormond? "There's another issue I 23 have with JP Morgan because they don't understand the 24 lease that they have with you. The lease that you 25 granted allows a minimum acreage around a wellbore</p>
Page 87	Page 89
<p>1 Q. (BY MR. DROUGHT) Do you know how Pattie was 2 compensated? 3 A. While working at the bank? 4 Q. Yes. 5 A. I assume a salary like the rest of us. 6 Q. Did she get a bonus based on her 7 performance? 8 A. There were performance bonuses. 9 Q. So, if somebody brought in a real large 10 income from lease activity, that would be reflected 11 somehow in the amount of her bonus? 12 A. It probably would have had some reflection 13 on there. 14 Q. Your compliments that Mr. Williams was 15 reading to you about Pattie Ormond's performance, 16 those were all before the December Petrohawk leases, 17 weren't they? 18 A. Yes. That was 2006, I believe. 19 Q. Mr. Williams asked you about the normal due 20 process or due diligence performed by JP Morgan, but 21 you do not have personal knowledge, do you, that 22 Pattie actually performed all of those due diligence? 23 A. I do not. 24 Q. Do you agree that -- that the South Texas 25 mineral interest was the most remarkable asset that</p>	<p>1 necessary to get a valid permit, and I don't 2 understand why they are giving 640 acres." 3 Does that ring any kind of a bell with 4 you? 5 A. No, I don't recall. 6 Q. Were you aware that -- that on the Pioneer 7 property that Reliant paid \$12,000 an acre to -- to 8 Pioneer for sale of part of that acreage up there? 9 Were you aware of that? 10 MR. WILLIAMS: Objection. Form. 11 A. If I was, I don't recall. 12 Q. (BY MR. DROUGHT) And do you consider H.L. 13 Tompkins to be a good mineral manager? 14 A. I think highly of H.L.. 15 Q. Do you agree with Pattie Ormond's 16 statement -- she says, "I like H.L. Tompkins. Do I 17 think he's a good mineral manager? No, I don't. I 18 think he's a terrible mineral manager." 19 Do you agree with Pattie's statement? 20 A. I wouldn't -- I don't know what her -- in 21 what context she's talking about. 22 Q. Okay. She's talking about JP Morgan, and 23 she says, "They have seven mineral managers, they 24 have 12,000 accounts, they manage 200,000 assets. 25 How can they manage your asset? How can they -- they</p>

23 (Pages 86 to 89)

<div>Page 90</div> <div><div><div>1</div><div>don't have time to pick up the phone and spend two</div></div><div><div>2</div><div>hours on the phone negotiating your lease."</div></div><div><div>3</div><div>Do you agree with that?</div></div><div><div>4</div><div>A. I don't know the context of what she's</div></div><div><div>5</div><div>talking about there.</div></div><div><div>6</div><div>Q. We talked about that letter that we saw</div></div><div><div>7</div><div>from Pioneer where they had declined to release the</div></div><div><div>8</div><div>lease.</div></div><div><div>9</div><div>Do you remember that?</div></div><div><div>10</div><div>A. Yes, sir.</div></div><div><div>11</div><div>Q. Do you agree with this statement? She</div></div><div><div>12</div><div>says, "Well, the lease should have been released and</div></div><div><div>13</div><div>the bank should have sought release of the lease, and</div></div><div><div>14</div><div>they did. They just didn't do it forcefully. They</div></div><div><div>15</div><div>lacked guts. They didn't pursue it because they are</div></div><div><div>16</div><div>bankers."</div></div><div><div>17</div><div>Do you agree with her statement on</div></div><div><div>18</div><div>that?</div></div><div><div>19</div><div>A. I -- I don't know what the rationale was</div></div><div><div>20</div><div>for deciding that they didn't have an opportunity to</div></div><div><div>21</div><div>get that particular tract released.</div></div><div><div>22</div><div>MR. DROUGHT: Okay. That's all the</div></div><div><div>23</div><div>questions I have for you today. Thank you very much.</div></div><div><div>24</div><div>FURTHER EXAMINATION</div></div><div><div>25</div><div>Q. (BY MR. WILLIAMS) Mr. Crow, just so I</div></div></div>	<div>Page 92</div> <div><div><div>1</div><div>would probably be a factor in enhancing the value of</div></div><div><div>2</div><div>their client's assets and being compensated for doing</div></div><div><div>3</div><div>so.</div></div><div><div>4</div><div>MR. WILLIAMS: Okay. That's all I</div></div><div><div>5</div><div>have.</div></div><div><div>6</div><div>MR. DROUGHT: That's all I have.</div></div><div><div>7</div><div>VIDEOGRAPHER: Off the record. The</div></div><div><div>8</div><div>time is 3:22.</div></div><div><div>9</div><div>(Whereupon the deposition was adjourned.)</div></div></div>
<div>Page 91</div> <div><div><div>1</div><div>understand the bonus structure, general managers at</div></div><div><div>2</div><div>JP Morgan while you were there weren't on any kind of</div></div><div><div>3</div><div>a commission basis, correct?</div></div><div><div>4</div><div>A. No. It wasn't commission-based, no.</div></div><div><div>5</div><div>Q. Okay. So, if you, for example, got a bonus</div></div><div><div>6</div><div>on a particular lease, you didn't get some percentage</div></div><div><div>7</div><div>commission based on the bonus?</div></div><div><div>8</div><div>MR. DROUGHT: Objection. Leading.</div></div><div><div>9</div><div>A. No.</div></div><div><div>10</div><div>Q. (BY MR. WILLIAMS) Okay. Well, what was</div></div><div><div>11</div><div>your understanding of how any bonus consideration for</div></div><div><div>12</div><div>a mineral manager was determined at JP Morgan?</div></div><div><div>13</div><div>A. Basically on performance.</div></div><div><div>14</div><div>Q. And what factors went into that performance</div></div><div><div>15</div><div>review? Do you know?</div></div><div><div>16</div><div>A. Maybe how much revenue was generated by the</div></div><div><div>17</div><div>group, what you did to enhance the value of your</div></div><div><div>18</div><div>client's assets. It's "are you doing a good job</div></div><div><div>19</div><div>for -- for the client."</div></div><div><div>20</div><div>Q. Okay. So, there would be multiple factors?</div></div><div><div>21</div><div>A. There's multiple factors. So, there was no</div></div><div><div>22</div><div>commission, but if you had someone that was doing a</div></div><div><div>23</div><div>good job and bringing in good money, then that might</div></div><div><div>24</div><div>be something that would be considered on their -- on</div></div><div><div>25</div><div>their bonus. It wasn't commission-based, but it</div></div></div>	<div>Page 93</div> <div><div><div>1</div><div>CHANGES AND SIGNATURE</div></div><div><div>2</div><div>PAGE LINE CHANGE REASON</div></div><div><div>3</div><div></div></div><div><div>4</div><div></div></div><div><div>5</div><div></div></div><div><div>6</div><div></div></div><div><div>7</div><div></div></div><div><div>8</div><div></div></div><div><div>9</div><div></div></div><div><div>10</div><div></div></div><div><div>11</div><div></div></div><div><div>12</div><div></div></div><div><div>13</div><div></div></div><div><div>14</div><div></div></div><div><div>15</div><div></div></div><div><div>16</div><div></div></div><div><div>17</div><div></div></div><div><div>18</div><div></div></div><div><div>19</div><div></div></div><div><div>20</div><div></div></div><div><div>21</div><div></div></div><div><div>22</div><div></div></div><div><div>23</div><div></div></div><div><div>24</div><div></div></div><div><div>25</div><div></div></div></div>

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<p style="text-align: right;">Page 94</p> <p>1 I, GREG CROW, have read the foregoing deposition 2 and hereby affix my signature that same is true and 3 correct, except as noted above. 4 5 _____ 6 GREG CROW 7 8 THE STATE OF _____) 9 COUNTY OF _____) 10 11 Before me, _____, on this 12 day personally appeared GREG CROW, known to me or 13 proved to me on the oath of _____ or 14 through _____ (description of 15 identity card or other document) to be the person 16 whose name is subscribed to the foregoing instrument 17 and acknowledged to me that he/she executed the same 18 for the purpose and consideration therein expressed. 19 Given under my hand and seal of office on this 20 ____ day of _____ 2013. 21 22 _____ 23 NOTARY PUBLIC IN AND FOR 24 THE STATE OF _____ 25 My Commission Expires: _____</p> <p style="text-align: right;">Page 95</p> <p>1 CAUSE NO. 2010-CI-10977 2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT 3) 4 vs.) BEXAR COUNTY, TEXAS 5) 6 JP MORGAN CHASE BANK, N.A.) 7 INDIVIDUALLY/CORPORATELY) 8 AND AS TRUSTEE OF THE) 9 SOUTH TEXAS SYNDICATE) 10 TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT 11 12 REPORTER'S CERTIFICATE 13 ORAL VIDEOTAPED DEPOSITION OF GREG CROW 14 January 22, 2014 15 16 I, Shauna Foreman, Certified Shorthand Reporter 17 in and for the State of Texas, hereby certify to the 18 following: 19 That the witness, GREG CROW, was duly sworn and 20 that the transcript of the deposition is a true 21 record of the testimony given by the witness; 22 That the deposition transcript was duly 23 submitted on _____ to the witness or to 24 the attorney for the witness for examination, 25 signature, and return to me by _____. 26 That pursuant to information given to the 27 deposition officer at the time said testimony was 28 taken, the following includes all parties of record</p>	<p style="text-align: right;">Page 96</p> <p>1 and the amount of time used by each party at the time 2 of the deposition: 3 James L. Drought (1h35m) 4 Attorney for Plaintiff 5 David Jed Williams (0h18m) 6 Attorney for Defendants 7 8 That a copy of this certificate was served on 9 all parties shown herein on _____ 10 and filed with the Clerk. 11 I further certify that I am neither counsel for, 12 related to, nor employed by any of the parties in the 13 action in which this proceeding was taken, and 14 further that I am not financially or otherwise 15 interested in the outcome of this action. 16 Further certification requirements pursuant to 17 Rule 203 of the Texas Code of Civil Procedure will be 18 complied with after they have occurred. 19 Certified to by me on this 22nd day of 20 January, 2014. 21 22 _____ 23 Shauna Foreman, CSR 24 Texas CSR 3786 25 Expiration: 12/31/2014 26 Kim Tindall & Associates 27 645 Lockhill Selma, Suite 200 28 San Antonio, Texas 78216 29 (210)697-3400 30 Firm No. 631</p> <p style="text-align: right;">Page 97</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203 2 3 The original deposition was/was not returned to 4 the deposition officer on _____. 5 If returned, the attached Changes and Signature 6 page(s) contain(s) any changes and the reasons 7 therefor. 8 If returned, the original deposition was 9 delivered to James L. Drought, Custodial Attorney. 10 \$_____ is the deposition officer's charges to 11 the Plaintiff for preparing the original deposition 12 and any copies of exhibits; 13 The deposition was delivered in accordance with 14 Rule 203.3, and a copy of this certificate, served on 15 all parties shown herein, was filed with the Clerk. 16 Certified to by me on this ____ day of 17 _____, 2014. 18 19 _____ 20 Shauna Foreman, CSR 21 Texas CSR 3786 22 Expiration: 12/31/2014 23 Kim Tindall & Associates 24 645 Lockhill Selma, Suite 200 25 San Antonio, Texas 78216 26 (210)697-3400</p>
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Transcript of the Testimony of
Bill Osborn

Date:

January 24, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase Bank

Kim Tindall and Associates, LLC

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,)	IN THE DISTRICT COURT
Plaintiffs,)	
)	
VS.)	225TH JUDICIAL DISTRICT
)	
JP MORGAN CHASE BANK, N.A.)	
INDIVIDUALLY/CORPORATELY)	
AND AS TRUSTEE OF THE)	
SOUTH TEXAS SYNDICATE)	
TRUST and GARY P. AYMES,)	
Defendants.)	BEXAR COUNTY, TEXAS

ORAL AND VIDEOTAPED DEPOSITION OF

BILL OSBORN

JANUARY 24, 2014

VOLUME 1

ORAL AND VIDEOTAPED DEPOSITION OF BILL OSBORN,
produced as a witness at the instance of the PLAINTIFFS,
and duly sworn, was taken in the above-styled and
numbered cause on January 24, 2014, from 9:53 a.m. to
3:00 p.m., before Lei Sherra Torrence, CSR in and for
the State of Texas, reported by machine shorthand, at
the offices of Hunt Oil Company, 1900 North Akard
Street, Dallas, Texas, pursuant to the Texas Rules of
Civil Procedure and the provisions stated on the record
or attached hereto.

Page 2		Page 4	
1	APPEARANCES	1	EXHIBITS
2		2	NUMBER DESCRIPTION PAGE
3	COUNSEL FOR THE PLAINTIFFS:		REFERENCED
4	Mr. Jim L. Flegle	3	58D Fourth Amendment of Oil
5	LOEWINSOHN FLEGLE DEARY, LLP		And Gas Lease 16
6	12377 Merit Drive	4	62A 3,094-Acre Lease Amendment 17
7	Suite 900	5	60A 4,224.7175-Acre Lease Amendment 17
8	Dallas, Texas 75251-3102		64A 2,371-Acre Lease Amendment 17
9	(214) 572-1701	6	65 Letter-October 23, 2009 21
10	(214) 572-1717 (fax)	7	395 E-mail-August 10, 2010 47
11	Jimf@LFDlaw.com	8	58E E-mail-February 9, 2011 62
12	COUNSEL FOR THE DEFENDANTS:	9	60B Letter-January 26, 2011 64
13		10	401 Letter-May 8, 2012 89
14	Mr. Kevin M. Beiter	11	67 Letter-June 21, 2012 91
15	HORNBERGER SHEEHAN FULLER BEITER WITTENBERG & GARZA,	12	58F Amendment 104
16	INCORPORATED	13	60C Amendment-August 24, 2012 105
17	7373 Broadway	14	62B Amendment to Oil and Gas Lease 105
18	Suite 300	15	
19	San Antonio, Texas 78209	16	
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	THE VIDEOGRAPHER:		
	Ms. Keri Livingston		
	ALSO PRESENT:		
	Ms. Susan Kravik		

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1	INDEX	1	THE VIDEOGRAPHER: Good morning. We are now
2	PAGE	2	on the record. Today's date is January 24th, 2014 and
3	Appearances..... 2	3	the time is 9:53 a.m. This is the video deposition of
4	Stipulations..... 5	4	Bill Osborn in the matter of John K. Meyer et al versus
5	BILL OSBORN	5	JP Morgan Chase Bank, N.A. et al. If counsel present
6	Examination by Mr. Flegle..... 5	6	will please introduce yourselves for the record and then
7	Examination by Mr. Beiter.....107	7	state any agreements our court reporter will then swear
8	ReExamination by Mr. Flegle.....133	8	in the witness.
9	ReExamination by Mr. Beiter.....139	9	MR. FLEGLE: Jim Flegle for plaintiff
10	Signature and Changes.....141	10	beneficiaries.
11	Reporter's Certificate.....143	11	MR. BEITER: Kevin Beiter for JP Morgan
12	EXHIBITS	12	Chase.
13	NUMBER DESCRIPTION PAGE	13	MR. DAVIDSON: Jacob Davidson for the
14	814 E-mail-April 23, 2010 22	14	witness and for Hunt Oil Company.
15	815 Amendment-October 1, 2009 28	15	MR. FLEGLE: I think we're just taking these
16	816 E-mail-May 7, 2010 30	16	by the Rules.
17	817 E-mail-June 7, 2010 38	17	BILL OSBORN,
18	818 E-mail-June 15, 2010 42	18	having been first duly sworn, testified as follows:
19	819 E-mail-June 24, 2010 43	19	EXAMINATION
20	820 E-mail-August 10, 2010 48	20	BY MR. FLEGLE:
21	821 E-mail-August 26, 2010 51	21	Q. Please give us your name.
22	822 E-mail-September 7, 2010 53	22	A. Bill Osborn.
23	823 E-mail-September 20, 2010 59	23	Q. Mr. Osborn, where are you employed?
24	824 E-mail-October 25, 2010 60	24	A. Hunt Oil Company.
25	825 E-mail-October 26, 2010 61	25	Q. How long have you been with Hunt Oil Company?
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<p>1 A. Almost four years.</p> <p>2 Q. What position do you hold at Hunt Oil?</p> <p>3 A. Currently senior landman.</p> <p>4 Q. Have you been senior landman for Hunt Oil Company</p> <p>5 for all four years?</p> <p>6 A. No, sir.</p> <p>7 Q. Can you tell me -- and -- and let me just ask you</p> <p>8 this: When was it that you started with Hunt Oil</p> <p>9 Company?</p> <p>10 A. It was approximately February of 2010.</p> <p>11 Q. Okay. And from February 2010 until you became</p> <p>12 senior landman, what were your positions at Hunt Oil?</p> <p>13 A. Landman.</p> <p>14 Q. Did you work in the Hunt offices here in Dallas?</p> <p>15 A. Yes.</p> <p>16 Q. As landman what generally have been your</p> <p>17 responsibilities at Hunt Oil?</p> <p>18 A. Dealing with various land aspects involved with</p> <p>19 drilling and exploration of oil and gas wells.</p> <p>20 Q. Any particular geographic focus?</p> <p>21 A. The Eagle Ford Shale.</p> <p>22 Q. Okay. And I am representing certain</p> <p>23 beneficiaries of a trust called the South Texas</p> <p>24 Syndicate Trust in a lawsuit pending in San Antonio</p> <p>25 against the trustee of that trust, JP Morgan. Do you</p>	<p>1 to?</p> <p>2 A. In December of 2010?</p> <p>3 Q. Any -- any time in 2010.</p> <p>4 A. Ernie Easley.</p> <p>5 Q. Okay. And did you have anyone other than</p> <p>6 Mr. Easley that you talked to about the work you were</p> <p>7 doing as landman in the Eagle Ford Shale in 2010?</p> <p>8 A. He was my direct supervisor.</p> <p>9 Q. So in 2010 if you were communicating with</p> <p>10 somebody about senior level management at Hunt Oil</p> <p>11 other than Mr. Easley, was there anybody else at Hunt</p> <p>12 Oil that you'd be talking about?</p> <p>13 A. Our vice president of land, Bill Rex, I would say</p> <p>14 was familiar with some of the negotiations and issues</p> <p>15 involved with the South Texas Syndicate leases.</p> <p>16 Q. Anyone else?</p> <p>17 A. In 2010?</p> <p>18 Q. Yes, sir.</p> <p>19 A. No, sir -- well, Larry Guzick, also.</p> <p>20 Q. Okay. So we've got Ernie Easley, Larry Guzick</p> <p>21 and Bill Rex. Basically the senior level management</p> <p>22 that you were working with?</p> <p>23 A. I would say that's accurate.</p> <p>24 Q. Okay. Now, Hunt Oil is in the oil and gas</p> <p>25 business in the United States and all over the world; is</p>
Page 7	Page 9
<p>1 understand that?</p> <p>2 A. Yes, sir.</p> <p>3 Q. Okay. And I'll be asking you some questions</p> <p>4 today about certain matters that pertain to the South</p> <p>5 Texas Syndicate and mineral interests there. But before</p> <p>6 I get there, as landman in 2010, who did you report to</p> <p>7 at Hunt Oil?</p> <p>8 A. Our vice president of exploration far region</p> <p>9 Ernie Easley.</p> <p>10 Q. That's E-A-S-L-E-Y?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And did your reporting responsibilities</p> <p>13 change from 2010 until today to -- to report to anybody</p> <p>14 other than Mr. Easley?</p> <p>15 A. Yes. I currently report to Larry Guzick.</p> <p>16 Q. And when did that change occur?</p> <p>17 A. I want to say December of 2012.</p> <p>18 Q. Is there anyone other than Mr. Easley or</p> <p>19 Mr. Guzick that -- well, no. Let me ask the question</p> <p>20 this way: Back in 2010, did you have reporting or</p> <p>21 communicating opportunities with senior management at</p> <p>22 Hunt Oil?</p> <p>23 A. Can you repeat that question, please?</p> <p>24 Q. Sure. In 2010, did -- what senior level</p> <p>25 management at Hunt Oil did you report to or communicate</p>	<p>1 it not?</p> <p>2 A. Correct.</p> <p>3 Q. And other than your landman and senior landman</p> <p>4 responsibilities in the Eagle Ford Shale, have you had</p> <p>5 any responsibilities for any other area that Hunt Oil</p> <p>6 has interest in?</p> <p>7 A. No, sir.</p> <p>8 Q. Okay. And the Eagle Ford Shale that we're</p> <p>9 talking about is in the South Texas area, right?</p> <p>10 A. Correct.</p> <p>11 Q. During your time at Hunt Oil, have you been given</p> <p>12 information about the banking relationships that Hunt</p> <p>13 Oil has with other banks?</p> <p>14 A. No, sir.</p> <p>15 Q. Or information about the banking relationship</p> <p>16 that Hunt Oil had with JP Morgan in 2010, 2011, 2012?</p> <p>17 A. No, sir.</p> <p>18 Q. Do you know whether or not prior to the time that</p> <p>19 you got -- you got to Hunt Oil that Hunt Oil had had</p> <p>20 opportunities to work with a Japanese company called</p> <p>21 Marubeni, M-A-R-U-B-I-N-I [sic]?</p> <p>22 A. Would you mind repeating that question again,</p> <p>23 please?</p> <p>24 Q. Sure. Do you know whether or not prior to 2010</p> <p>25 Hunt Oil had opportunities to work with a Japanese</p>

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Page 10	Page 12
<p>1 company named Marubeni?</p> <p>2 A. Prior to 2010 I was not familiar with Marubeni.</p> <p>3 Q. As -- as you performed your work in the Eagle</p> <p>4 Ford Shale from 2010 into 2011 and 2012, did you become</p> <p>5 familiar with whether -- with Hunt Oil's history of</p> <p>6 working with Marubeni and other places like Puru?</p> <p>7 A. No. I was not. I was aware that we had -- Hunt</p> <p>8 Oil Company had a relationship with Marubeni, but I was</p> <p>9 not familiar with the particulars of that relationship</p> <p>10 or to what extent we had a relationship with Marubeni.</p> <p>11 Q. And the -- the relationship that you're taking</p> <p>12 about here is one that predated the time that Marubeni</p> <p>13 purchased an interest in some Eagle Ford Shale</p> <p>14 properties that Hunt Oil had leases on?</p> <p>15 A. I was made aware that Marubeni had a relationship</p> <p>16 with Hunt Oil Company and that that relationship to my</p> <p>17 understanding was revolving around our operations in</p> <p>18 Puru.</p> <p>19 Q. All right. Now, at -- at a point in time in late</p> <p>20 2011 there were negotiations between Hunt Oil and</p> <p>21 Marubeni about Marubeni purchasing some interests in</p> <p>22 Hunt Oil's Eagle Ford Shale leases; is that correct?</p> <p>23 A. I don't recall when those negotiations started</p> <p>24 but at some point, yes, there was discussions with</p> <p>25 Marubeni about our operations in Eagle Ford.</p>	<p>1 A. I'd say that's accurate.</p> <p>2 Q. Did you have any role in any determination at</p> <p>3 Hunt Oil about what the acceptable price per acre for</p> <p>4 leases would be in a transaction with Marubeni?</p> <p>5 A. No, sir.</p> <p>6 Q. Do you know whether or not there was any role</p> <p>7 played by JP Morgan in the Marubeni transaction with</p> <p>8 Hunt Oil?</p> <p>9 A. Repeat that again, please.</p> <p>10 Q. Sure. Do you know whether JP Morgan had any role</p> <p>11 in the transaction between Hunt Oil and Marubeni?</p> <p>12 A. I do not -- I do not know the answer to that, but</p> <p>13 I don't know believe that -- that to be true.</p> <p>14 Q. Did you become aware during the work that you did</p> <p>15 on the Marubeni transaction that at the time of the</p> <p>16 transaction, JP Morgan was listed as one of the major</p> <p>17 shareholders of Marubeni?</p> <p>18 A. I was not aware of that.</p> <p>19 Q. That didn't come up --</p> <p>20 A. No.</p> <p>21 Q. -- in discussions?</p> <p>22 A. Not to me.</p> <p>23 Q. Let me ask you about another company. When you</p> <p>24 became landman in -- at Hunt Oil in February 2010, were</p> <p>25 you made aware of a company called Broad Oak Energy</p>
Page 11	Page 13
<p>1 Q. And were you a participant in those discussions?</p> <p>2 A. No.</p> <p>3 Q. Do you know who at Hunt Oil was?</p> <p>4 A. I think initially it was our corporate</p> <p>5 development department and I do not know whom within</p> <p>6 that department specifically was the front person of</p> <p>7 those negotiations.</p> <p>8 Q. Did -- did you play any role, even though not a</p> <p>9 front person, in the negotiations that led to the</p> <p>10 Marubeni transaction that was disclosed to the public in</p> <p>11 January 2012?</p> <p>12 A. Not the negotiations of -- not the negotiations.</p> <p>13 The role I had was -- I just did not have a role in the</p> <p>14 negotiation with Marubeni.</p> <p>15 Q. Did you have a role in putting together</p> <p>16 information that was used by those who did have</p> <p>17 responsibility for negotiation?</p> <p>18 A. I assisted in the collection of lease</p> <p>19 information, if -- lease information, acreage</p> <p>20 information, things that was related to landman duties.</p> <p>21 Q. And in collecting this lease information for this</p> <p>22 potential deal between Hunt Oil and Marubeni, were some</p> <p>23 of the leases leased -- was some of the lease</p> <p>24 information that you collected information related to</p> <p>25 leases on the South Texas Syndicate mineral interests?</p>	<p>1 Incorporated?</p> <p>2 A. Yes, I became aware of them.</p> <p>3 Q. Did you know about Broad Oak Energy Incorporated</p> <p>4 before you were hired at Hunt Oil?</p> <p>5 A. No, sir.</p> <p>6 Q. What did you become aware of that related to</p> <p>7 Broad Oak Energy?</p> <p>8 A. That they were the party from whom Hunt Oil</p> <p>9 Company purchased the leases between -- that we now --</p> <p>10 that Hunt Oil Company now owns between South Texas</p> <p>11 Syndicate, J -- and JP Morgan and Broad Oak Energy.</p> <p>12 Q. Did you learn how much Hunt Oil had paid to Broad</p> <p>13 Oak Energy for the leases on the South Texas Syndicate</p> <p>14 mineral interest?</p> <p>15 A. At that time did I learn what the purchase price</p> <p>16 was?</p> <p>17 Q. Yes, sir.</p> <p>18 A. I'm sure I probably did.</p> <p>19 Q. And what was it?</p> <p>20 A. I don't recall.</p> <p>21 Q. Do you remember even a per acre price?</p> <p>22 A. That Hunt Oil Company paid Broad Oak for those</p> <p>23 leases?</p> <p>24 Q. Yeah. Let me -- let me ask the question again.</p> <p>25 Do you remember even a per acre price that Hunt Oil</p>

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<p>1 Company paid to Broad Oak Energy for the leases on the</p> <p>2 South Texas Syndicate mineral interest?</p> <p>3 A. I don't recall what that purchase price per acre</p> <p>4 was.</p> <p>5 Q. After you became landman in February 2010, did</p> <p>6 you have any communications with anyone at Broad Oak</p> <p>7 Energy about the South Texas Syndicate leases?</p> <p>8 A. Yes. J.D. Braddock.</p> <p>9 Q. And what did you and Mr. Braddock have the -- the</p> <p>10 opportunity to discuss?</p> <p>11 A. I think most of our discussions revolved around</p> <p>12 land-related issues, lease provisions, perhaps, title</p> <p>13 questions, things of that nature.</p> <p>14 Q. Were there any lease provisions -- well, let</p> <p>15 me -- I'll ask about the lease provisions later. Were</p> <p>16 there any title questions discussed with Mr. Braddock</p> <p>17 that were not resolved?</p> <p>18 A. Not to my recollection.</p> <p>19 Q. Do you remember when these title questions were</p> <p>20 discussed with Mr. Braddock at -- at Broad Oak?</p> <p>21 A. Not specifically.</p> <p>22 Q. There were several opportunities for amendments</p> <p>23 of the leases that Hunt Oil had on the South Texas</p> <p>24 Syndicate lands. One of those amendments was in August</p> <p>25 2012. Were the title questions that you discussed with</p>	<p>1 Oil asking you in 2013 to put any information together</p> <p>2 for purposes of a Ryder Scott evaluation?</p> <p>3 A. No.</p> <p>4 Q. Now, I've asked that internally at Hunt Oil. Do</p> <p>5 you remember anybody at JP Morgan contacting you and</p> <p>6 saying, we need some information for a Ryder Scott</p> <p>7 evaluation in 2011?</p> <p>8 A. No.</p> <p>9 Q. And the same thing for 2013?</p> <p>10 A. No.</p> <p>11 MR. FLEGLE: There were -- I'm going to ask</p> <p>12 you about some amendments to the Broad Oak leases that</p> <p>13 occurred in July 2009 and I'll give you -- I'll show you</p> <p>14 one of them and -- and see if you have any recollection</p> <p>15 of seeing these after you came to Hunt Oil. The first</p> <p>16 one I'll show you is Exhibit 58D that's been previously</p> <p>17 marked.</p> <p>18 (Exhibit Number 58D referenced.)</p> <p>19 Q. (BY MR. FLEGLE) This is an amendment -- it's</p> <p>20 called a Fourth Amendment of Oil and Gas Lease and the</p> <p>21 original lease was dated March 14, 2006. It's a lease</p> <p>22 for 683.48 acres that's subsequently amended. Did you</p> <p>23 have a chance to look at these amendments when you</p> <p>24 became a landman at Hunt Oil in 2010?</p> <p>25 A. Yes, I've seen these amendments.</p>
Page 15	Page 17
<p>1 Mr. Braddock in the context of the August 2012</p> <p>2 amendments?</p> <p>3 A. No, the amendments that we executed were not --</p> <p>4 title was not a issue involving those amendments.</p> <p>5 Q. There's another company that had some involvement</p> <p>6 in the South Texas Syndicate mineral interests and</p> <p>7 played a role in terms of evaluation. It's a company</p> <p>8 called Ryder Scott. Are you aware of them?</p> <p>9 A. No, sir.</p> <p>10 Q. Do you remember -- were you a participant in any</p> <p>11 discussions with Ryder Scott back in 2011 relating to</p> <p>12 evaluation that Ryder Scott made on the royalty interest</p> <p>13 for the South Texas Syndicate Trust?</p> <p>14 A. No, sir.</p> <p>15 Q. Ryder Scott also made evaluation in 2013 on the</p> <p>16 South Texas Syndicate mineral interest. Were you asked</p> <p>17 to provide any information to Ryder Scott for purposes</p> <p>18 of its 2013 report?</p> <p>19 A. Not to my recollection.</p> <p>20 Q. Did -- do you remember anybody at Hunt Oil</p> <p>21 internally coming to you in 2011 saying, could you</p> <p>22 please collect certain information for evaluation</p> <p>23 purposes for Ryder Scott?</p> <p>24 A. In 2011 -- no, I don't recall that.</p> <p>25 Q. And do you remember anybody internally at Hunt</p>	<p>1 MR. FLEGLE: And let me show you the</p> <p>2 other -- the other four -- the other three just so we've</p> <p>3 got them in front of you. This one is 62A and this one</p> <p>4 relates to 3,094 acres. And this one is 60A which deals</p> <p>5 with 4,224 acr -- point 7175 acres which I'll -- I'll</p> <p>6 represent was subsequently amended in terms of the</p> <p>7 acreage involved. And then this one is 64A which at</p> <p>8 this point which originally was 2,371 acres.</p> <p>9 (Exhibit Numbers 62A, 60A, 64A referenced.)</p> <p>10 Q. (BY MR. FLEGLE) In what context did you have an</p> <p>11 opportunity to look at these amendments 58D, 60A, 62A</p> <p>12 and 64A?</p> <p>13 A. I'm sorry, was your question in what context?</p> <p>14 Q. Yeah. Why -- why did you have -- have the</p> <p>15 opportunity to look at these?</p> <p>16 A. They were contained within Hunt Oil Company's</p> <p>17 lease records, and to familiarize myself with the terms</p> <p>18 and provisions of the leases, I had reviewed these</p> <p>19 documents.</p> <p>20 Q. Okay. Did you notice in these lease -- in these</p> <p>21 four lease amendments that they were all dated July 16,</p> <p>22 2009?</p> <p>23 A. I don't -- I mean, I don't recall that and I</p> <p>24 don't remember specifically telling myself that but...</p> <p>25 Q. Okay. Well, I -- did -- in terms of looking at</p>

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<p>1 these amendments to these four leases, did you become</p> <p>2 aware that these amendments extended the primary terms</p> <p>3 of the leases?</p> <p>4 A. Yes.</p> <p>5 Q. And in the -- in the primary terms of the leases</p> <p>6 is important to the lessee; is it not?</p> <p>7 MR. BEITER: Objection; form.</p> <p>8 A. Yes.</p> <p>9 Q. (BY MR. FLEGLE) Well, it's important to Hunt</p> <p>10 Oil, isn't it?</p> <p>11 A. To understand the...</p> <p>12 Q. Primary term.</p> <p>13 A. Yes. I would say that's important.</p> <p>14 Q. And in -- in terms of the something that is</p> <p>15 considered by Hunt Oil a -- a provision of value a</p> <p>16 longer primary terms is more valuable than a shorter</p> <p>17 primary term generally, right?</p> <p>18 A. I think each lease stands on its own and some</p> <p>19 leases it may be a higher priority than others.</p> <p>20 Q. Did you have any discussions with anybody</p> <p>21 internally at Hunt Oil when you had a chance to look at</p> <p>22 these four lease amendments on whether or not Hunt Oil</p> <p>23 and Broad Oak Energy were in discussions that would lead</p> <p>24 -- that might lead to Hunt Oil taking over the Broad Oak</p> <p>25 leases in 2000 -- in 19 -- in 2009?</p>	<p>1 Q. Do you know who at Hunt Oil was involved with the</p> <p>2 negotiations with Broad Oak in 2009?</p> <p>3 A. I don't know specifically as I -- I wasn't an</p> <p>4 employee at Hunt, so I can't say with certainty.</p> <p>5 Q. Well, when you took over the responsibility for</p> <p>6 these leases on the South Texas Syndicate mineral</p> <p>7 interest, did you go to anyone in particular at Hunt</p> <p>8 Oil, who at least from your perception, had knowledge</p> <p>9 about what had been going on with these leases before</p> <p>10 you came to Hunt?</p> <p>11 A. I would say that myself and Larry Guzick have had</p> <p>12 conversations regarding the leases.</p> <p>13 MR. FLEGLE: Bless you.</p> <p>14 Q. (BY MR. FLEGLE) And was Mr. Guzick involved in</p> <p>15 the negotiations between Hunt Oil and Broad Oak in 2009?</p> <p>16 A. I don't know that for certain.</p> <p>17 Q. Do you know what landman at Hunt Oil had</p> <p>18 responsibility for these four leases before you became a</p> <p>19 landman in February 2010 at Hunt Oil?</p> <p>20 A. I don't know that.</p> <p>21 Q. And when you looked at the file, did you see</p> <p>22 anything in the file that went back to 2009 involving</p> <p>23 any investigation of Hunt Oil's transaction with Broad</p> <p>24 Oak that led to the assignment of the Broad Oak leases</p> <p>25 to Hunt Oil?</p>
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<p>1 A. I'm sorry. I missed the first part of your</p> <p>2 question.</p> <p>3 Q. Yeah, let me try it again.</p> <p>4 A. Okay.</p> <p>5 Q. And by the way, I'm human. Some of my questions</p> <p>6 may not make any sense and if they don't, just tell me</p> <p>7 and I'll try to -- try to make the English a little</p> <p>8 clearer. When you had a chance to notice that there</p> <p>9 were these amendments to these four leases -- and I'll</p> <p>10 represent to you that these amendments were all dated</p> <p>11 July 16, 2009 -- did you learn whether or not Hunt Oil</p> <p>12 was in discussions with Broad Oak Energy prior to Jan --</p> <p>13 July 16, 2009 for a transaction involving these lease</p> <p>14 interests?</p> <p>15 A. Since I didn't start with Hunt Oil until 2010,</p> <p>16 I'm not familiar with the discussions that Hunt Oil had</p> <p>17 with Broad Oak prior to that.</p> <p>18 Q. Did -- did anybody tell you why the primary terms</p> <p>19 on these leases were extended as of July 16, 2009?</p> <p>20 A. No, sir.</p> <p>21 Q. Or whether there was any consideration paid for</p> <p>22 the extension of the primary terms by Broad Oak to the</p> <p>23 -- to the trust?</p> <p>24 A. I wouldn't have any knowledge as to Broad Oak's</p> <p>25 negotiations with JP Morgan on that.</p>	<p>1 A. I don't recall seeing any documentation on that.</p> <p>2 Q. You did look at the lease files for these four</p> <p>3 leases; did you not?</p> <p>4 A. Yes, sir.</p> <p>5 Q. Okay. And Hunt Oil keeps files per lease for its</p> <p>6 own records, right?</p> <p>7 A. Correct.</p> <p>8 Q. Okay. And those files generally -- do those</p> <p>9 files generally contain communications with others as</p> <p>10 they relate to the leases?</p> <p>11 A. I'm not sure what you mean by communications.</p> <p>12 Q. Letters, correspondence, e-mails?</p> <p>13 A. On occasion I would say that's true but not --</p> <p>14 it's not a -- not always.</p> <p>15 Q. Let me show you a communication that was dated</p> <p>16 before your time. It's Exhibit 65. It's an October 23</p> <p>17 letter, 2000 -- this is an October 23, 2009 letter from</p> <p>18 Broad Oak. And what I wanted to ask you about is at the</p> <p>19 bottom of the first page there's a reference to Hunt Oil</p> <p>20 Company to the attention Mr. Bill Rex. Was Mr. Rex, to</p> <p>21 your knowledge, involved in the transaction between Hunt</p> <p>22 Oil and Broad Oak?</p> <p>23 (Exhibit Number 65 referenced.)</p> <p>24 A. Not to my knowledge.</p> <p>25 Q. Did you have any discussions with Mr. Rex when</p>

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<p>1 you took over these leases when you were hired by Hunt 2 in 2010? 3 A. Repeat that one more time. I'm sorry. 4 Q. Sure. Did you have any discussions with Mr. Rex 5 when you took over the responsibility for these four 6 leases in 2010 as landman? 7 A. I've had -- I've had conversations with Bill Rex 8 pertain -- can you clarify as to what discussions you 9 might be referring to? 10 Q. Sure. I -- I was just wondering if you talked 11 with Mr. Rex about the background of these leases and 12 amendments that -- to the events that occurred before 13 you came to Hunt Oil. 14 A. I don't recall having conversations with Bill Rex 15 about that. 16 Q. Now, after you joined Hunt Oil, do you recall a 17 request by Hunt Oil to JP Morgan as trustee to consent 18 to an assignment of certain interests in these leases to 19 other companies? 20 A. Yes. I -- I do recall communication between 21 myself and JP Morgan on consent to assignment issues. 22 MR. FLEGLE: I'll tell you what. If you've 23 got some exhibits I'll stick these. We'll start these 24 exhibits at 814 based on the exhibits from yesterday. 25 (Exhibit Number 814 marked.)</p>	<p>1 that your -- 2 Q. Yes. 3 A. -- is that your question? 4 Q. Yes. 5 A. In regards to the notice of assignment and 6 consent to assignment in the -- that was, I believe, is 7 a provision in the lease that upon any assignment of the 8 leases that's required by the lessee to do so, I do not 9 recall number three on this list, the amendment to oil 10 and gas lease and a certification of trust I believe was 11 brought to our attention in a -- in a title opinion as a 12 requirement from our title attorney. 13 Q. The assignment notice lists several companies or 14 limited partnership, and it's on the third page of this 15 e-mail and attachments. Do you see that -- that page? 16 A. Uh-huh. 17 Q. And the first company that's involved is BMT O&G, 18 TX, LP. Do you have any idea of what that company is? 19 A. Well, besides Hunt Oil Company, all those 20 companies listed there collectively are commonly known 21 as Bass -- BOPCO the Bass Fort Worth. 22 Q. Okay. So this Bass -- and what -- what was the 23 second word? I'm sorry. 24 A. BOPCO, B-O-P-C-O. I -- 25 Q. Okay.</p>
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<p>1 MR. BEITER: I'm sorry, 814? 2 MR. FLEGLE: Yes, sir. 3 MR. BEITER: Okay. Did we finally resolve 4 the missing exhibit yesterday or do we have a blank? 5 MR. FLEGLE: We've got a blank. 6 MR. BEITER: Okay. 7 MR. FLEGLE: My fault. It's operator error. 8 MR. BEITER: Fair enough. 9 Q. (BY MR. FLEGLE) I've marked as Exhibit 814 an 10 e-mail with attachments dated April 23, 2010. The top e 11 -- the top e-mail is marked defendant's 96435. Do you 12 recognize this as an e-mail that you sent in April 2010? 13 A. I don't specifically recall this e-mail. 14 Q. Do you see in the e-mail that you're referencing 15 four items in bringing those to Mr. Tompkins' attention? 16 A. I do see that. 17 Q. And Mr. Tompkins was someone at JP Morgan that 18 you communicated with for purposes of South Texas 19 Syndicate leases? 20 A. Yes. 21 Q. Do you remember why you were sending this series 22 of documents, a cover letter, notice of assignment, an 23 amendment and a certification of trust, to Mr. Tompkins 24 in April 2010? 25 A. Do I recall why I was sending this to him? Is</p>	<p>1 A. I'm -- I'm assuming that stands for Bass 2 Operating Production Company. 3 Q. And all of the -- the companies other than Hunt 4 Oil -- and -- and, by the way, the notice of the 5 assignment and consent to assign has Hunt Oil Company as 6 50 percent interest? 7 A. That's correct. 8 Q. And then the rest of these companies have 9 interest that end up totaling 50 percent as well? 10 A. That's correct. 11 Q. And all of the companies other than Hunt Oil 12 you're saying were companies related to Bass BOPCO out 13 of Fort Worth? 14 A. Correct. 15 Q. Did -- as a result of this assignment and consent 16 to assign, were the operations of these four leases 17 transferred to the Bass BOPCO entities? 18 A. At this time Hunt Oil Company was a 50 percent 19 owner and the Bass companies owned 50 percent of the 20 leases and Hunt Oil Company was the designated operator. 21 Q. Do you remember any discussions with Mr. Tompkins 22 on or around the time of the -- of this notice of 23 assignment and consent about who these other companies 24 were? 25 A. I don't recall any specific conversations about</p>

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<p>1 that.</p> <p>2 Q. Or any questions to you from Mr. Tompkins about</p> <p>3 the background of these companies?</p> <p>4 A. No. I don't remem -- recall that.</p> <p>5 Q. Do you know whether as part of this assignment to</p> <p>6 the Bass BOPCO entities whether or not Hunt Oil received</p> <p>7 any compensation from the Bass BOPCO entities for the \$0</p> <p>8 percent that they received as part of this assignment in</p> <p>9 2010?</p> <p>10 A. No.</p> <p>11 Q. And who at Hunt Oil would have that information?</p> <p>12 A. To my recollection and -- the -- the assignment</p> <p>13 from Broad Oak was to Broad Oak and Hunt and the Bass</p> <p>14 entities. Well, I don't believe there was an assignment</p> <p>15 from Hunt to Bass.</p> <p>16 Q. Okay. And with -- with that understanding that</p> <p>17 the assignment from Broad Oak was to Hunt and the Bass</p> <p>18 entities, do you have any recollection now that we've --</p> <p>19 we've talked about it that way about what Hunt Oil paid</p> <p>20 for its share of the assignment from Broad Oak and what</p> <p>21 the Bass entities paid for their share?</p> <p>22 A. No. That would've taken place prior to my start</p> <p>23 time at Hunt.</p> <p>24 Q. And is there any record in the lease files of</p> <p>25 these leases about what amount of money was paid by Hunt</p>	<p>1 mark this as Exhibit 815 and see if you can identify it.</p> <p>2 It's an amendment to prior assignment.</p> <p>3 (Exhibit Number 815 marked.)</p> <p>4 Q. (BY MR. FLEGLE) And it's got an effective date</p> <p>5 of October 1, 2009, but it looks like this thing was</p> <p>6 executed -- if I'm reading the verifications correctly</p> <p>7 -- in April 2010?</p> <p>8 A. Uh-huh.</p> <p>9 Q. Does that refresh your memory about your role?</p> <p>10 A. Yeah, I have seen this document before and</p> <p>11 this -- the work on this particular amendment had</p> <p>12 started prior to my arrival at Hunt, so I was not the</p> <p>13 point person on this particular document.</p> <p>14 Q. Okay. Who was at Hunt Oil?</p> <p>15 A. To my recollection, I believe, Larry Guzick.</p> <p>16 Q. And did you have an understanding in 2010 of why</p> <p>17 this assignment -- this amendment to prior assignment</p> <p>18 was necessary?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. Yeah, I'd have to look at it again. I'd have to</p> <p>21 refresh my memory on that.</p> <p>22 Q. (BY MR. FLEGLE) Sitting here today, though, you</p> <p>23 don't know -- you can't recall?</p> <p>24 A. No. Not -- not with -- not with certainty.</p> <p>25 Q. Well, just looking at the amendment today, is</p>
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<p>1 Oil and what was paid by the Bass entities for the</p> <p>2 assignment from Broad Oak?</p> <p>3 A. I don't know. Without reviewing the files, I --</p> <p>4 I couldn't say.</p> <p>5 Q. Are you familiar with how Hunt Oil keeps track of</p> <p>6 what it pays for assignments of leases?</p> <p>7 A. Generally that information is within our lease</p> <p>8 files and it's kept in our lease records department.</p> <p>9 Q. And are these the lease files that you have</p> <p>10 access to when you have responsibility for lease files?</p> <p>11 A. Yes.</p> <p>12 Q. It's just that today in this deposition you don't</p> <p>13 remember what information was in there about what was</p> <p>14 paid?</p> <p>15 A. Exactly.</p> <p>16 Q. Did you have any role in creating and negotiating</p> <p>17 the amendment to prior assignment that relates to the</p> <p>18 assignment from Broad Oak Energy to Hunt Oil and the</p> <p>19 Bass entities?</p> <p>20 A. What's the date of that?</p> <p>21 Q. The date?</p> <p>22 A. Yeah.</p> <p>23 Q. Yes, the variations look like April 2010.</p> <p>24 A. Uh-huh.</p> <p>25 MR. FLEGLE: Let me -- let me go ahead and</p>	<p>1 there anything in general that you remember about this</p> <p>2 transaction?</p> <p>3 A. No. I don't -- I know I've seen this document</p> <p>4 and I've reviewed this document, but I don't</p> <p>5 specifically remember what -- what it stipulates.</p> <p>6 Q. Do you know whether or not there was a written</p> <p>7 consent to the assignment executed by JP Morgan?</p> <p>8 A. I do not recall that. I -- wait. I'm sorry.</p> <p>9 Rephrase that question. Which consent to assignment are</p> <p>10 you referring to?</p> <p>11 Q. Do you recall whether there was a consent --</p> <p>12 there was a consent to assign the amended -- the</p> <p>13 amendment that you and I just talked about executed by</p> <p>14 JP Morgan?</p> <p>15 A. Uh-huh. And your question again was?</p> <p>16 Q. Do you know whether there was a written consent</p> <p>17 to the amendment to prior assignment --</p> <p>18 A. No, I do not.</p> <p>19 Q. -- executed by JP Morgan?</p> <p>20 A. Sorry. I do not recall.</p> <p>21 Q. Now after the -- the amendment to assignment was</p> <p>22 executed, there were some -- do you recall whether or</p> <p>23 not there were some discussions between Hunt Oil and JP</p> <p>24 Morgan about lease amendments?</p> <p>25 A. Yes. There's been discussions between Hunt Oil</p>

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<p>1 and JP Morgan about lease amendments.</p> <p>2 MR. FLEGLE: And the very next month in</p> <p>3 May of 2010 let me show you Exhibit 816 an e-mail from</p> <p>4 you dated May 7, 2010.</p> <p>5 (Exhibit Number 816 marked.)</p> <p>6 Q. (BY MR. FLEGLE) Do you recognize that as one of</p> <p>7 your e-mails?</p> <p>8 A. I do.</p> <p>9 Q. Do you recall the issues that were being</p> <p>10 addressed in this e-mail or the attachment or</p> <p>11 attachments?</p> <p>12 A. Yes, I do recall those issues.</p> <p>13 Q. And what -- what were the issues that were being</p> <p>14 addressed by this request for an amendment to leases</p> <p>15 involving South Texas Syndicate mineral interests?</p> <p>16 A. The issues involved -- involved primarily our</p> <p>17 continuous development provision and the retained</p> <p>18 acreage provision.</p> <p>19 Q. And from the continuous development standpoint,</p> <p>20 what was the issue that Hunt Oil was interested in?</p> <p>21 A. Hunt Oil Company, our goal was to, I believe, the</p> <p>22 lease as written had a 60-day requirement from after the</p> <p>23 expiration of the primary term to -- from the completion</p> <p>24 of one well to the commencement of the next. It was</p> <p>25 60 days and we wanted to revise that to what we felt was</p>	<p>1 Q. In the first bullet it says, "The amendment</p> <p>2 addresses three key issues." Bullet 1: "Extends the</p> <p>3 allowable time from 60 days to 120 days between the</p> <p>4 completion of one well and the commencement of another."</p> <p>5 Was the intent to get it to 90 days or 120?</p> <p>6 A. It appears from this e-mail that our initial</p> <p>7 proposal was 120 days.</p> <p>8 Q. Okay. And what this would mean is that the time</p> <p>9 between the completion of a well that Hunt Oil completed</p> <p>10 on a lease to the required time to start or commence</p> <p>11 another well would be extended?</p> <p>12 A. Correct.</p> <p>13 Q. In fact, the request here was to double that</p> <p>14 time?</p> <p>15 A. Correct.</p> <p>16 Q. Which would mean that the number of wells that</p> <p>17 would be required by the lease to be drilled by Hunt Oil</p> <p>18 would be reduced and extended out over a longer period</p> <p>19 of time?</p> <p>20 MR. BEITER: Objection; form.</p> <p>21 MR. DAVIDSON: Objection; form.</p> <p>22 Q. (BY MR. FLEGLE) Let me just say, if for example,</p> <p>23 in one year, the allowable time for drilling between the</p> <p>24 completion of one well and the commencement of another</p> <p>25 was currently at 60 days -- are you with me so far?</p>
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<p>1 a more standard common industry number of 90 days, and</p> <p>2 we also wanted to clear up -- to revise what -- what was</p> <p>3 deemed to be the point in time in which a well was</p> <p>4 deemed to be completed. The lease as written, I</p> <p>5 believe, deemed a well to be completed at the point in</p> <p>6 time when the drilling rig was released, and we wanted</p> <p>7 that revised to when the frac equipment was released.</p> <p>8 Q. And -- and both of those issues that you just</p> <p>9 described were within what you were talking about: The</p> <p>10 continuous development issues?</p> <p>11 A. Yes.</p> <p>12 Q. And in -- in terms of both of those issues, if</p> <p>13 they were resolved as requested by Hunt Oil, these would</p> <p>14 be resolutions that would be valuable to Hunt Oil in its</p> <p>15 operations on -- on the leases, correct?</p> <p>16 A. We felt like that -- I think our position was</p> <p>17 that it was much more practical and it was advantageous</p> <p>18 to all parties involved.</p> <p>19 Q. Well, let's see. The extension you said from</p> <p>20 60 days to 90 days -- and -- and I just want to clarify</p> <p>21 my -- my understanding here -- in the letter that is</p> <p>22 attached to your May 7th e-mail and the first bullet --</p> <p>23 and by the way, this letter came -- came from you; did</p> <p>24 it not?</p> <p>25 A. Uh-huh. Correct.</p>	<p>1 A. Uh-huh.</p> <p>2 Q. And if that allowable time between the completion</p> <p>3 of one well and the commencement of another was extended</p> <p>4 to 120 days -- are you with me there?</p> <p>5 A. Uh-huh.</p> <p>6 Q. If there was an extension of -- to 120 days, the</p> <p>7 number of wells required to be drilled during a certain</p> <p>8 period of time under the lease would be fewer --</p> <p>9 MR. BEITER: Objection; form.</p> <p>10 Q. (BY MR. FLEGLE) -- right?</p> <p>11 A. Well, our -- our goal was to have the ability to</p> <p>12 drill a well, frac a well and to have more than 60 days</p> <p>13 to analyze the well data and that well performance prior</p> <p>14 to commencing another well.</p> <p>15 Q. I -- I understand your goal, but the effect of</p> <p>16 getting to that goal would be the lease would require</p> <p>17 fewer wells during the same period of time to be drilled</p> <p>18 to keep the lease?</p> <p>19 A. I would say that's accurate.</p> <p>20 Q. Okay. And then if we go to the time from when</p> <p>21 the well was completed and you went from the time that</p> <p>22 the -- the completion from when the drilling rig -- rig</p> <p>23 is removed to the latter of the date the drilling rig is</p> <p>24 removed or the fracturing equipment is removed that's</p> <p>25 also going to extend the time --</p>

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<p>1 MR. BEITER: Objection; form. Sorry.</p> <p>2 Q. (BY MR. FLEGLE) -- in between the completion of</p> <p>3 one well and the commencement of another as required by</p> <p>4 the leases amended --</p> <p>5 MR. BEITER: Objection; form.</p> <p>6 Q. (BY MR. FLEGLE) -- right?</p> <p>7 A. Yeah, that -- that would extend the period of</p> <p>8 time between wells.</p> <p>9 Q. Okay. And then in -- in bullet number two of</p> <p>10 your letter of May 7th, 2010 there's a well spacing</p> <p>11 issue. Tell me what that was about.</p> <p>12 A. That was pertaining to how much acreage could be</p> <p>13 assigned or retained by any given well from what the</p> <p>14 existing lease said to what we had -- to what we thought</p> <p>15 was common industry standard and what the railroad</p> <p>16 commission had approved.</p> <p>17 Q. And on that particular issue then, Hunt Oil was</p> <p>18 asking JP Morgan as trustee for an amendment to the</p> <p>19 lease. This one looks like it's talking about</p> <p>20 4,224-acre lease.</p> <p>21 A. Is this a separate e-mail you're talking about</p> <p>22 now?</p> <p>23 Q. No --</p> <p>24 A. Oh, you're talking about this one.</p> <p>25 Q. I'm talking about your letter. Let me start the</p>	<p>1 Q. (BY MR. FLEGLE) Did you personally have</p> <p>2 discussions with Mr. Tompkins or anybody at JP Morgan</p> <p>3 about these amendments?</p> <p>4 A. I did.</p> <p>5 Q. Who did you discuss the amendments with?</p> <p>6 A. Mr. Tompkins.</p> <p>7 Q. Anyone else?</p> <p>8 A. No, not that I recall.</p> <p>9 Q. Did you find that Mr. Tompkins in terms of his</p> <p>10 communications with you was responsive?</p> <p>11 A. I would say, at times, myself and others at Hunt</p> <p>12 Oil Company felt as though Mr. Tompkins was unresponsive</p> <p>13 for a period of time from time to time. I remember</p> <p>14 thinking that I had sent several e-mails and left</p> <p>15 several phone messages and did not receive a prompt</p> <p>16 response at -- at some -- at some juncture.</p> <p>17 Q. And you -- and some of those communications were</p> <p>18 e-mails from you to Mr. Tompkins?</p> <p>19 A. Yes.</p> <p>20 Q. And some of them were phone messages from you to</p> <p>21 Mr. Tompkins?</p> <p>22 A. Yes.</p> <p>23 Q. Did Mr. Tompkins ever explain to you why he</p> <p>24 wasn't getting back to you?</p> <p>25 A. He explained to me that I -- I recall receiving</p>
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<p>1 question again. I apologize. So in -- in terms of what</p> <p>2 you're addressing in this May 7, 2010 letter in bullet</p> <p>3 number two, if I'm understanding it right, it was Hunt</p> <p>4 Oil's view that the leases allowed a number of acres to</p> <p>5 be maintained as held by production once a well had been</p> <p>6 completed. Let's just call that -- we'll just say it's</p> <p>7 320 acres.</p> <p>8 A. The lease is -- it was less than 320 acres.</p> <p>9 Q. Okay.</p> <p>10 A. But there was a provision in the lease that</p> <p>11 allowed Hunt Oil Company to retain a certain amount of</p> <p>12 acres around a -- a producing well.</p> <p>13 Q. And the impact of this request for this amendment</p> <p>14 from Hunt Oil to JP Morgan as trustee was to increase</p> <p>15 the number of acres that would be held by a well that</p> <p>16 was completed?</p> <p>17 A. Well, our request was to allow Hunt Oil Company</p> <p>18 to be allowed to use the field rules that the Railroad</p> <p>19 Commission had established for that field.</p> <p>20 Q. And the result of using those field rules would</p> <p>21 be to increase the number of acres that would be held by</p> <p>22 a well drove --</p> <p>23 A. That would -- that --</p> <p>24 MR. BEITER: Objection; form.</p> <p>25 A. That would have been the end result.</p>	<p>1 e-mails that they had received our proposal and that</p> <p>2 they were being reviewed and that he had hoped to get</p> <p>3 back with me, you know, something to the effect of in</p> <p>4 the near future.</p> <p>5 Q. Did he also mention, to your recollection, issues</p> <p>6 involving he was out of town on other business?</p> <p>7 A. Yeah, I remember him saying that he had been in,</p> <p>8 you know, his -- his office is here in Dallas. I</p> <p>9 remember times where he said, I was in Houston. There</p> <p>10 were some other places.</p> <p>11 Q. And were these lease amendment issues that you</p> <p>12 were addressing with Mr. Tompkins starting here in</p> <p>13 May 2010 issues that were important to Hunt Oil?</p> <p>14 A. I would say it was important to Hunt Oil, yes.</p> <p>15 Q. Now, at the time these amendment issues were</p> <p>16 brought up in May 2010, had Hunt Oil commenced drilling</p> <p>17 any wells on the South Texas Syndicate property?</p> <p>18 A. I'm fairly certain that our initial well on these</p> <p>19 STS leases was in 2010, but I don't recall at what point</p> <p>20 during that year that was.</p> <p>21 Q. Was there a need at Hunt Oil to have these lease</p> <p>22 amendment issues resolved before drilling commenced?</p> <p>23 A. Well, at that time the leases were still within</p> <p>24 their primary term and -- so I don't believe -- we -- we</p> <p>25 -- it wasn't necessary for these amendments to be</p>

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<p>1 executed prior to us commencing a well.</p> <p>2 Q. Do you remember any request by Hunt Oil to JP</p> <p>3 Morgan as trustee for the South Texas Syndicate to</p> <p>4 extend the time for delay rental payments in 2010?</p> <p>5 A. I do not recall requesting that.</p> <p>6 MR. FLEGLE: Let me show you an e-mail in</p> <p>7 June of 2010. I'll mark it Exhibit 817. It's dated</p> <p>8 June 7, 2010. I'll give you a chance to see if this</p> <p>9 refreshes your memory about the -- at least the</p> <p>10 amendments.</p> <p>11 (Exhibit Number 817 marked.)</p> <p>12 THE WITNESS: Okay.</p> <p>13 Q. (BY MR. FLEGLE) And then, this is an e-mail that</p> <p>14 you sent to Mr. Tompkins, right?</p> <p>15 A. Correct.</p> <p>16 Q. And in -- in the e-mail you were identifying some</p> <p>17 lease amendments or a lease amendment to the oil and gas</p> <p>18 lease that needed attention?</p> <p>19 A. Uh-huh.</p> <p>20 Q. Right?</p> <p>21 A. Correct.</p> <p>22 Q. And a Certification of Trust document that needed</p> <p>23 some attention?</p> <p>24 A. Correct.</p> <p>25 Q. And you tell Mr. Tompkins, "I'm sure that you can</p>	<p>1 Q. And were these issues that we're talking about in</p> <p>2 these e-mail issues that you were responsible for</p> <p>3 internally at Hunt Oil?</p> <p>4 A. Yes.</p> <p>5 Q. Now in your June 7, 2010 e-mail, you go on to</p> <p>6 say, "This issue is beginning to become more urgent as</p> <p>7 the days go by. I would very much appreciate it if you</p> <p>8 would give me an update on both documents at your</p> <p>9 earliest convenience." Do you recall whether you got</p> <p>10 any reaction from Mr. Tompkins on that issue?</p> <p>11 A. No. I'm -- I'm sure I did, but I don't -- I</p> <p>12 don't specifically recall the response.</p> <p>13 Q. Do you remember during this period of time that</p> <p>14 you were talking about the amendments to the leases</p> <p>15 whether or not Mr. Tompkins raised any issue of</p> <p>16 compensation to the South Texas Syndicate for the -- for</p> <p>17 agreement to amend these leases?</p> <p>18 A. As far as I can remember and as a general rule,</p> <p>19 we have always compensated JP Morgan an exchange for</p> <p>20 execution of lease amendments.</p> <p>21 Q. Do you remember what compensation -- I'll tell</p> <p>22 you what. I'll get there in a minute. Let me stop just</p> <p>23 for a second. Other than the leases that Hunt Oil</p> <p>24 obtained from Broad Oak involving the South Texas</p> <p>25 Syndicate Trust mineral interest, did Hunt Oil have any</p>
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<p>1 appreciate that I have others depending on me to do my</p> <p>2 job so that they can do theirs." Who were the others</p> <p>3 you were talking about there?</p> <p>4 A. I don't specifically recall.</p> <p>5 Q. Were the others at Hunt Oil?</p> <p>6 A. Yes.</p> <p>7 Q. Now, during these -- these discussions that you</p> <p>8 had with Mr. Tompkins about these documents -- I say</p> <p>9 discussions, let me start again. During this dialogue,</p> <p>10 whether it was in e-mails or in conversation with</p> <p>11 Mr. Tompkins, was there anyone from the Bass companies</p> <p>12 represented?</p> <p>13 A. Was -- was there anyone in the Bass company</p> <p>14 represented in --</p> <p>15 Q. That's a bad -- that's a bad question. Was there</p> <p>16 anybody during the conver -- the communications that you</p> <p>17 were having between -- well, let me start again. At any</p> <p>18 time during the communications here in this June, July</p> <p>19 time frame in 2010 between you and Mr. Tompkins at JP</p> <p>20 Morgan, was there anyone from the Bass lessees involved?</p> <p>21 A. Not in those conversations, no.</p> <p>22 Q. Were there any conversations in 2010 involving</p> <p>23 these South Texas Syndicate leases that included</p> <p>24 representative -- representatives of the Bass companies?</p> <p>25 A. No.</p>	<p>1 other leases in the Eagle Ford that involved JP Morgan</p> <p>2 acting as trustee for the lessors?</p> <p>3 A. We do have leases in other counties that whereby</p> <p>4 the Red Crest Trust is the beneficiary, JP Morgan is the</p> <p>5 trustee, and Hunt Oil Company is the lessee.</p> <p>6 Q. And are you responsible internally at Hunt Oil</p> <p>7 for the Red Crest -- the Red Crest Trust leases?</p> <p>8 A. Some of them.</p> <p>9 Q. You know about how many people are involved in</p> <p>10 the Hunt Oil interests?</p> <p>11 A. No, not with certainty.</p> <p>12 Q. In terms of the ones that you were involved in as</p> <p>13 land manager or senior land manager with the Red Crest</p> <p>14 Trust -- Red Crest Trust, who at JP Morgan did you deal</p> <p>15 with?</p> <p>16 A. In terms of the Red Crest Trust leases, Jason</p> <p>17 Beck and Phillip Mettham.</p> <p>18 MR. DAVIDSON: Why don't you spell Mettham,</p> <p>19 if you know.</p> <p>20 THE WITNESS: Mettham, I believe is</p> <p>21 M-E-T-T-H-A-M.</p> <p>22 Q. (BY MR. FLEGLE) Okay. Do you remember what</p> <p>23 county the Red Crest Trust leases are in -- is in or?</p> <p>24 A. Primarily Wilson County. It's possible we have</p> <p>25 some that fall into Karnes County but primarily Wilson</p>

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<p>1 County.</p> <p>2 MR. FLEGLE: Now, about a week later, eight</p> <p>3 days or so, there's another e-mail dated June 15 from</p> <p>4 you. I've marked it as Exhibit 818.</p> <p>5 THE WITNESS: Okay.</p> <p>6 (Exhibit Number 818 marked.)</p> <p>7 Q. (BY MR. FLEGLE) Does this refresh your memory</p> <p>8 that there was a request to Mr. Tompkins to extend the</p> <p>9 due date to pay rentals on the 4,224-acre lease that</p> <p>10 Hunt Oil had on the South Texas Syndicate mineral</p> <p>11 interest?</p> <p>12 A. I don't recall this e-mail but -- okay.</p> <p>13 Q. Do -- generally speaking this request here for</p> <p>14 delay rentals was a request to extend the delay rental</p> <p>15 payment date from July 25, 2010 to August 25, 2010,</p> <p>16 correct?</p> <p>17 A. Correct.</p> <p>18 Q. And the end result was if this extension was</p> <p>19 granted, Hunt Oil had an additional 30 days within which</p> <p>20 to begin or commence drilling on this lease?</p> <p>21 A. Uh-huh.</p> <p>22 Q. Correct?</p> <p>23 A. Correct.</p> <p>24 Q. And the end result is if the drilling was</p> <p>25 commenced before August 25, 2010, the delay rental</p>	<p>1 tomorrow with the powers that be here at Hunt." Who was</p> <p>2 that, the powers that be here at Hunt in June 2010?</p> <p>3 A. I don't recall specifically.</p> <p>4 Q. Why were you telling Mr. Tompkins that you were</p> <p>5 having a meeting tomorrow with the powers that be here</p> <p>6 at Hunt?</p> <p>7 A. Why was I telling him that?</p> <p>8 Q. Yes, sir.</p> <p>9 A. I don't recall specifically, but I was more than</p> <p>10 likely in hopes that it might promote a faster response.</p> <p>11 Q. Now, at this point in time in June of 2010, did</p> <p>12 you have any understanding of whether or not Hunt Oil</p> <p>13 did a lot of business with JP Morgan that is separate</p> <p>14 and apart from the leasehold issues on the South Texas</p> <p>15 Syndicate mineral interest and the leasehold issues on</p> <p>16 the Red Crest Trusts interests?</p> <p>17 A. I don't recall what my knowledge base was of our</p> <p>18 -- to the extent of Hunt's relationship with JP Morgan.</p> <p>19 Q. Did anybody tell you at this point in time that</p> <p>20 you recall that Hunt Oil did a lot of business with JP</p> <p>21 Morgan?</p> <p>22 A. I -- I don't recall.</p> <p>23 Q. Do you remember anybody telling you that because</p> <p>24 of this business relationship with Hunt Oil and JP</p> <p>25 Morgan, that relationship should be used to get some</p>
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<p>1 payments would go from \$100 per acre to \$50 per acre,</p> <p>2 right?</p> <p>3 A. Correct.</p> <p>4 Q. Now, was this amendment, to your recollection,</p> <p>5 approved by JP Morgan as trustee?</p> <p>6 A. I don't recall.</p> <p>7 Q. Do you recall whether there was any compensation</p> <p>8 paid to JP Morgan as trustee of the South Texas</p> <p>9 Syndicate Trust for an extension of the delayed rental</p> <p>10 date?</p> <p>11 A. No, I don't.</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 (Exhibit Number 819 marked.)</p> <p>14 Q. (BY MR. FLEGLE) Let's see that communication</p> <p>15 that I believe that I provided to you was June 15. Let</p> <p>16 me see if I can refresh your memory about further</p> <p>17 communications in June on those issues. Here's an</p> <p>18 e-mail dated June 24, 2010. I've marked it as</p> <p>19 Exhibit 819. Is that an e-mail from you to</p> <p>20 Mr. Tompkins?</p> <p>21 A. It appears so.</p> <p>22 Q. Do you know whether or not you got a response</p> <p>23 from Mr. Tompkins to this e-mail?</p> <p>24 A. I don't recall.</p> <p>25 Q. You write, "Mr. Tompkins I have a meeting</p>	<p>1 reactions out of Mr. Tompkins?</p> <p>2 A. I recall --</p> <p>3 MR. BEITER: Objection; form.</p> <p>4 A. I recall at some point in time there were some</p> <p>5 conversations that executives at Hunt would be willing</p> <p>6 to contact, perhaps, maybe their counterparts at JP</p> <p>7 Morgan to see if there was a way to promote a faster</p> <p>8 response from JP Morgan on our proposals.</p> <p>9 Q. (BY MR. FLEGLE) And how did -- how did you get</p> <p>10 the information that executives at Hunt Oil would be</p> <p>11 willing to contact their counterparts at JP Morgan?</p> <p>12 A. I don't recall.</p> <p>13 Q. Do you remember who told you that these Hunt Oil</p> <p>14 executives would be willing to contact their</p> <p>15 counterpoint -- parts?</p> <p>16 A. No.</p> <p>17 Q. I take it you didn't just make that up?</p> <p>18 A. That -- I'm sorry?</p> <p>19 Q. You just didn't make up the concept that -- that</p> <p>20 Hunt Oil executives would be willing to control --</p> <p>21 contact their counterparts at JP Morgan to get some</p> <p>22 deal?</p> <p>23 A. No, I didn't make that up.</p> <p>24 Q. And -- and sitting here today you don't know</p> <p>25 which executives at Hunt Oil would have been contacting</p>

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<p>1 who?</p> <p>2 A. No.</p> <p>3 Q. And do you know whether or not any executives at</p> <p>4 Hunt Oil in fact contacted their counterparts at JP</p> <p>5 Morgan to -- to resolve issues involving the</p> <p>6 South Texas Syndicate leases?</p> <p>7 A. I believe there was some point of contact there,</p> <p>8 but I don't know who made that contact and to whom they</p> <p>9 contacted at JP Morgan.</p> <p>10 Q. And let me just stop right there for a second.</p> <p>11 This -- some -- some point of contact, do you remember</p> <p>12 from a calendar standpoint what year the contact was</p> <p>13 made?</p> <p>14 A. No. At -- no, I don't.</p> <p>15 Q. Do you know whether or not from the standpoint of</p> <p>16 the contact that you learned about, whether or not that</p> <p>17 contact was successful in getting results for issues</p> <p>18 that Hunt Oil was interested in resolving?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. Can you repeat that question? I'm sorry.</p> <p>21 Q. (BY MR. FLEGLE) Sure. Do you know -- do you</p> <p>22 have any knowledge of whether or not after this contact</p> <p>23 that you don't recall who made a contact to whom</p> <p>24 outstanding issues between Hunt Oil and JP Morgan as</p> <p>25 trustee for the South Texas Syndicate were resolved?</p>	<p>1 Q. And then attached to the e-mail is a document</p> <p>2 that's got the same date and it's labeled</p> <p>3 confidentiality agreement and it goes on for three pages</p> <p>4 and it's got a signature line for it looks like you,</p> <p>5 Bill Osborn, landman Hunt Oil Company. Am I reading</p> <p>6 that right?</p> <p>7 A. Yes.</p> <p>8 Q. Does this refresh your memory of a request by</p> <p>9 Hunt Oil to JP Morgan as trustee for the South Texas</p> <p>10 Syndicate to enter a confidentiality agreement?</p> <p>11 A. That's what it looks like for a -- in regards to</p> <p>12 daily drilling information.</p> <p>13 Q. Do you know whether or not Hunt Oil and JP Morgan</p> <p>14 as trustee agreed to confidentiality for that</p> <p>15 information?</p> <p>16 A. I don't recall. I -- no, I don't recall. If</p> <p>17 this doc -- are you asking if this document was</p> <p>18 executed?</p> <p>19 Q. Right.</p> <p>20 A. I do not recall.</p> <p>21 (Exhibit Number 820 marked.)</p> <p>22 Q. (BY MR. FLEGLE) Let me show you a further e-mail</p> <p>23 exchange from you to Mr. Tompkins on August 10, 2010.</p> <p>24 I've marked it as Exhibit 820. In that exchange is the</p> <p>25 top and bottom -- is the top e-mail an e-mail from you</p>
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<p>1 A. No.</p> <p>2 MR. DAVIDSON: Jim, we've been going about</p> <p>3 an hour.</p> <p>4 MR. FLEGLE: Yeah. Yeah.</p> <p>5 MR. DAVIDSON: When you -- if you hit a</p> <p>6 break spot just whenever.</p> <p>7 MR. FLEGLE: Let's break it.</p> <p>8 MR. DAVIDSON: Okay.</p> <p>9 THE VIDEOGRAPHER: Off the record at</p> <p>10 11:05 a.m.</p> <p>11 (Break taken from 11:05 a.m. to 11:15 a.m.)</p> <p>12 THE VIDEOGRAPHER: Back on the record at</p> <p>13 11:15 a.m.</p> <p>14 Q. (BY MR. FLEGLE) Do you recall any requests in</p> <p>15 2010 to JP Morgan as trustee to enter a confidentiality</p> <p>16 agreement?</p> <p>17 A. No, I don't recall that.</p> <p>18 (Exhibit Number 395 referenced.)</p> <p>19 Q. (BY MR. FLEGLE) Let me show you what's</p> <p>20 previously been marked as 395 and see if you can</p> <p>21 identify that exhibit as an e-mail from you to</p> <p>22 Mr. Tompkins dated August 10, 2010.</p> <p>23 A. Okay.</p> <p>24 Q. Is that an e-mail from you to Mr. Tompkins?</p> <p>25 A. It appears so.</p>	<p>1 to Mr. Tompkins?</p> <p>2 A. Is the top and bottom?</p> <p>3 Q. No. The -- is the top e-mail an exchange between</p> <p>4 you and Mr. Tompkins?</p> <p>5 A. Yes, it appears so.</p> <p>6 Q. And you see that your e-mail is in response to an</p> <p>7 e-mail from Mr. Tompkins earlier that day where</p> <p>8 Mr. Tompkins wrote, "Bill, this CA" -- and he's</p> <p>9 referencing the confidentiality agreement --</p> <p>10 A. Right.</p> <p>11 Q. -- on what Hunt Oil is requesting. "This CA is</p> <p>12 far reaching and contrary to Paragraph 10 of the lease."</p> <p>13 And is that comment what you were responding to in your</p> <p>14 e-mail about two hours later?</p> <p>15 A. It appear -- what was your question? Was my</p> <p>16 e-mail in response to his; is that --</p> <p>17 Q. Right.</p> <p>18 A. It appears so.</p> <p>19 Q. And the issue here was whether or not Hunt Oil</p> <p>20 was going to give drilling reports and things other than</p> <p>21 geophysical information to JP Morgan its trustee on a --</p> <p>22 on an as -- as received basis, right?</p> <p>23 A. It appears so.</p> <p>24 Q. And do you know whether or not after this e-mail</p> <p>25 exchange in August 2010 Hunt Oil in fact provided JP</p>

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<p>1 Morgan with drilling reports and other reports on an as 2 received basis?</p> <p>3 A. Currently JP Morgan is on the distribution list 4 to receive daily drilling reports, but I don't recall if 5 it -- it was a result of the CA being executed or if 6 just -- we just started to send it to them despite the 7 CA not being executed. I don't recall specifically.</p> <p>8 Q. And you're talking about the CA here. What was 9 the reason Hunt Oil wanted a confidentiality agreement 10 with JP Morgan?</p> <p>11 A. I don't recall specifically, but I would need to 12 review the provisions in the lease that refer to the 13 information that JP Morgan is obligated to receive from 14 Hunt, but I would expect that I was -- reviewed the 15 lease and spoke to our legal department about the 16 provision. And the result was I was advised to propose 17 that JP Morgan and H.L. Tompkins execute the 18 confidentiality agreement by our legal department or -- 19 or management or both.</p> <p>20 Q. And do you remember who internally at Hunt Oil 21 asked you to get this confidentiality agreement?</p> <p>22 A. Not specifically.</p> <p>23 Q. Or generally who it could've been?</p> <p>24 A. It could have been Curtis Riddle and/or Larry 25 Guzik.</p>	<p>1 lease amendment. This amendment would amend all four 2 STS leases in which Hunt Oil Company has an interest."</p> <p>3 A. Uh-huh.</p> <p>4 Q. At the time of your e-mail of August 26, 2010, 5 had you received a response from Mr. Tompkins?</p> <p>6 A. On this I'm not sure in response -- in response 7 as to what?</p> <p>8 Q. Had -- had Mr. Tompkins expressed a position that 9 JP Morgan as trustee for the South Texas Syndicate took 10 on these proposed amendments that you have attached?</p> <p>11 A. On the date that I sent this e-mail?</p> <p>12 Q. Before the date.</p> <p>13 A. I don't recall. I think -- I'm sure H.L. 14 Tompkins had told me that they were in the process of 15 evaluating our proposals. I -- I don't recall.</p> <p>16 Q. Other than Mr. Tompkins at JP Morgan, did you 17 have any conversations with anybody else at JP Morgan 18 concerning these lease amendments --</p> <p>19 A. No, sir.</p> <p>20 Q. -- whether subject to this --</p> <p>21 A. I don't -- I don't --</p> <p>22 Q. -- August?</p> <p>23 A. I don't think so.</p> <p>24 Q. We'll -- we'll go forward.</p> <p>25 A. It appears to me that this -- the initial</p>
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<p>1 Q. Now, along with these discussions you were having 2 about confidentiality and drilling reports with 3 Mr. Tompkins, there were also some discussions during 4 this period of time about lease amendments. Do you 5 remember that?</p> <p>6 A. We continually had discussions about lease 7 amendments over the past few years on and off.</p> <p>8 Q. What do you remember about the discussions on 9 lease amendments in August of 2010, if anything?</p> <p>10 A. It wouldn't surprise me that we were having those 11 discussions, but I don't recall specifically what -- 12 what those details of those discussions were if there 13 were some.</p> <p>14 (Exhibit Number 821 marked.)</p> <p>15 Q. (BY MR. FLEGLE) Let me show you Exhibit 821 16 which is an e-mail dated August 26th, 2010. The first 17 question is: Can you recognize the cover e-mail as an 18 e-mail from you?</p> <p>19 A. Uh-huh. Right.</p> <p>20 Q. And the e-mail is forwarding to Mr. Tompkins a 21 lease amendment, and the lease amendment looks like it's 22 attached, right?</p> <p>23 A. Correct.</p> <p>24 Q. And you write, "Mr. Tompkins, per our 25 conversation a couple weeks ago attached is our proposed</p>	<p>1 amendment that we discussed about retained acreage and 2 all of that was an end result of this e-mail. We 3 already -- okay. So yeah, so there was an amendment in 4 October, if I remember right that was a result of this 5 proposal.</p> <p>6 (Exhibit Number 822 marked.)</p> <p>7 Q. (BY MR. FLEGLE) All right. And I'll tell you 8 what, we'll get to that October amendment I believe in 9 just a amendment -- in just a minute. About 12 days 10 after the e-mail that I just showed you there's another 11 e-mail dated September 7, 2010, and I marked it as 12 Exhibit 822. And my first question to you is whether or 13 not this was an e-mail that you wrote to Mr. Tompkins?</p> <p>14 A. Okay.</p> <p>15 Q. Do you recall this e-mail?</p> <p>16 A. I do.</p> <p>17 Q. And is it yours?</p> <p>18 A. It appears so.</p> <p>19 Q. You write, "Mr. Tompkins, I am hopeful that you 20 will contact me at your earliest convenience regarding 21 the lease amendment proposal that I have submitted to 22 you." And that's the proposal that we were just talking 23 about in the earlier e-mail, right?</p> <p>24 A. I would assume so.</p> <p>25 Q. "As I have mentioned to you in my previous three</p>

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<p>1 or four e-mails and voice mails, we are trying to plan 2 our drilling schedule, line up frac dates, et cetera and 3 we cannot efficiently do any of these things if we do 4 not amend the lease." Does this help you recall between 5 your e-mail of August 26, 2010, which we marked as 6 Exhibit 821, and this e-mail September 7, 2010, you had 7 not heard back from Mr. Tompkins? 8 A. That's -- I don't recall specifically but it 9 appears that way. 10 Q. And then in your second paragraph you write, 11 "Furthermore, I want you to be aware that I have been 12 asked on multiple occasions, by senior level management" 13 -- and that senior level management is Hunt Oil; is that 14 correct? 15 A. Correct. 16 Q. -- "to give an update on the lease amendment 17 proposal pertaining to the lease terms that among other 18 things restrict our ability to pool, provide onerous 19 continuous development clauses and stipulate well 20 density provisions that limit permitted RRC field 21 rules." That's Railroad Commission field rules, right? 22 A. Correct. 23 Q. And these are the issues that were important to 24 Hunt Oil senior level management here in September 2010 25 as related to the leases on the South Texas Syndicate</p>	<p>1 word. 2 Q. (BY MR. FLEGLE) Okay. And did Mr. Easley 3 express his frustration to you? 4 A. I don't recall a specific time where he did, but 5 I -- I think at that time it was myself and Mr. Easley 6 and Mr. Guzick we were all somewhat frustrated. 7 Q. Then you write in the next one-line paragraph, 8 "Unfortunately, my answer in all of these meetings is 9 always the same, quote, 'I am waiting to hear back from 10 JP Morgan.'" End of quote. How often did these meetings 11 occur that you're referencing here? 12 A. Hunt Oil Company were known to have several 13 meetings a week, so I would say that we -- without 14 hesitation I would say that there were at least two or 15 three meetings a week where we discussed operational 16 issues. 17 Q. And were these operational issues issues -- that 18 included issues on the South Texas Syndicate mineral 19 interest? 20 A. On -- partly. 21 Q. And they'd also include operational issues -- 22 A. Yeah. 23 Q. -- on other interests? 24 A. Correct. 25 Q. Now, in terms of the meetings that you were</p>
Page 55	Page 57
<p>1 mineral interest, correct? 2 A. Yeah, correct. 3 Q. Okay. 4 A. It was important to everyone that was involved 5 with the expiration and production of the leases here at 6 Hunt. 7 Q. And did the senior level management that you were 8 referencing in this paragraph also include any senior 9 level management at the Bass companies that were 10 lessees? 11 A. I don't believe so. I think it was the intent of 12 that statement was senior level management at Hunt. 13 Q. And who at Hunt Oil were the senior -- senior 14 level management -- who comprised the senior level 15 management you were referencing here at Hunt Oil in 16 September 2010? 17 A. I would -- I would assume that at that time the 18 senior level management that I would have been referring 19 to would have been Ernie Easley and -- and -- mainly 20 Ernie Easley. 21 Q. And fair to say Mr. Easley was concerned that 22 these lease amendments were not getting attention from 23 JP Morgan? 24 MR. BEITER: Objection; form. 25 A. I would say frustrated would probably be a better</p>	<p>1 participant in, those meetings were focused on 2 operational issues in the Eagle Ford? 3 A. Correct. 4 Q. Now, in the next paragraph of your e-mail you 5 write, "Consequently, the senior level management of 6 Hunt Oil Company has instructed me that they are 7 prepared, willing and anxious to make requests to their 8 counterparts at JP Morgan with whom we do a great deal 9 of business to request that our paperwork be expedited." 10 My first question to you is: When you say the senior 11 level management of Hunt Oil Company has instructed me, 12 who instructed me -- who instructed you? 13 A. At that time it would've been Ernie Easley 14 suggested that should I not hear back from H.L. 15 Tompkins, that he'd be prepared to talk to other members 16 of Hunt Oil Company senior level management about the 17 issue to see if they could contact, like I mentioned, 18 their counterparts to -- to see if there was some way 19 our paperwork in this case could be expedited. At least 20 the -- JP Morgan's review and feedback could be 21 expedited. 22 Q. And is it after this September 7, 2010 e-mail was 23 sent by you that you were -- you got information that 24 there was what you called a -- a few minutes ago some 25 point of contact between the senior level management of</p>

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<p>1 Hunt Oil Company and their counterparts at JP Morgan?</p> <p>2 A. I don't -- it's my recollection that there was</p> <p>3 some contact, but I don't recall when it was or who made</p> <p>4 the -- that contact or who their point of contact at JP</p> <p>5 Morgan was.</p> <p>6 Q. Did Mr. Easley share with you any kind of</p> <p>7 description of the great deal of business that Hunt Oil</p> <p>8 Company did with JP Morgan?</p> <p>9 A. No. I -- I -- I was not privy to any of those</p> <p>10 details. It was more of just a comment that I know, you</p> <p>11 know, basically it was a -- and I'm paraphrasing. Hunt</p> <p>12 does a lot of business with JP Morgan. I'm sure there</p> <p>13 are some people over there we could contact kind of</p> <p>14 statement.</p> <p>15 Q. Then you write after that sentence, I would</p> <p>16 appreciate a response from you so that I can relay to</p> <p>17 everyone here that we are in the process of resolving</p> <p>18 all of the issues that would prevent us from maximizing</p> <p>19 the development in production of the leases. After you</p> <p>20 got this e-mail, did you get a response from</p> <p>21 Mr. Tompkins?</p> <p>22 A. I'm sure -- yeah, I don't recall when, but I'm</p> <p>23 quite confident that he was responsive.</p> <p>24 Q. Did -- just so I'm -- I'm clear here. Did</p> <p>25 Mr. Easley tell you why he was willing to go to senior</p>	<p>1 Mr. Tompkins have a chance to talk?</p> <p>2 A. It would appear so.</p> <p>3 MR. FLEGLE: I got a further e-mail from you</p> <p>4 to Mr. Tompkins, and this is Exhibit 824.</p> <p>5 (Exhibit Number 824 marked.)</p> <p>6 Q. (BY MR. FLEGLE) This e-mail is dated October 25,</p> <p>7 2010. Can you identify this as an e-mail from you?</p> <p>8 A. Uh-huh.</p> <p>9 Q. She'll need -- she'll need the actual word; yes</p> <p>10 or no?</p> <p>11 A. Oh, I'm sorry. I was in the process of reading</p> <p>12 it.</p> <p>13 Q. All right.</p> <p>14 A. What was your question again?</p> <p>15 Q. Question is: Can you identify this as an e-mail</p> <p>16 from you?</p> <p>17 A. It appears so.</p> <p>18 Q. Now, this e-mail also has a CC to Mr. Larry</p> <p>19 Guzick. Do you remember why he was copied on this</p> <p>20 e-mail?</p> <p>21 A. Larry Guzick is a regional land manager for our</p> <p>22 business unit and as such he was included on the e-mail.</p> <p>23 Q. Was he involved in the amendment negotiations</p> <p>24 with JP Morgan?</p> <p>25 A. I'm sure he was involved in certain aspects. I</p>
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<p>1 level management at Hunt Oil to get them to contact</p> <p>2 their counterparts at JP Morgan?</p> <p>3 A. Why he was willing to do that?</p> <p>4 Q. Yeah.</p> <p>5 A. I don't recall specifically, but I think it's</p> <p>6 safe to assume that he was willing to do that in order</p> <p>7 to help make an effort to help expedite the -- the</p> <p>8 review and the negotiation process with JP Morgan.</p> <p>9 Q. Now, after this e-mail was sent to Mr. Tompkins,</p> <p>10 there were some exchanges of versions of the amendments;</p> <p>11 were there not?</p> <p>12 A. I believe so.</p> <p>13 (Exhibit Number 823 marked.)</p> <p>14 Q. (BY MR. FLEGLE) Let me just show you a couple</p> <p>15 and get them identified here. I've marked as</p> <p>16 Exhibit 823 an e-mail dated September 20, 2010. Can you</p> <p>17 identify that as an e-mail from you?</p> <p>18 A. Yes. I recall this e-mail.</p> <p>19 Q. And does this e-mail relate to the lease</p> <p>20 amendments that were the subject of your September 7,</p> <p>21 2010 e-mail to Mr. Tompkins?</p> <p>22 A. I can't say definitively, but I think that's a</p> <p>23 safe assumption.</p> <p>24 Q. And between the time of your September 7th e-mail</p> <p>25 and this September 20, 2010 e-mail, did you and</p>	<p>1 don't recall exactly what duties he performed or what</p> <p>2 actions he took regarding the amendments.</p> <p>3 Q. In this e-mail on October 25, 2010 you write,</p> <p>4 "H.L., I am hoping to hear from you in the near future</p> <p>5 as I am fielding questions from management once again</p> <p>6 about the progress of lease amendments regarding the</p> <p>7 lease provisions pertaining to field rules, due</p> <p>8 diligence and pooling." When you say you were fielding</p> <p>9 question from management once again, who in management</p> <p>10 were giving you the questions?</p> <p>11 A. At that time it would've been Ernie Easley and if</p> <p>12 there were others in management, I -- I don't</p> <p>13 specifically remember, but I'm -- I do remember Ernie</p> <p>14 Easley asking me those questions.</p> <p>15 Q. Did you get any response from Mr. Tompkins, do</p> <p>16 you recall?</p> <p>17 A. In response to this e-mail?</p> <p>18 Q. Yes, sir.</p> <p>19 A. I don't recall.</p> <p>20 (Exhibit Number 825 marked.)</p> <p>21 MR. FLEGLE: Let me show you an e-mail of</p> <p>22 the couple -- of the next day, October the 26th. I</p> <p>23 marked it as Exhibit 825.</p> <p>24 Q. (BY MR. FLEGLE) Can you identify the cover</p> <p>25 e-mail as an e-mail from you?</p>

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<p>1 A. Uh-huh.</p> <p>2 Q. Is that a yes?</p> <p>3 A. Yeah, I'm sorry. What was your question?</p> <p>4 Q. Is that an e-mail from you?</p> <p>5 A. It appears so.</p> <p>6 Q. Now, on or about -- well, not on or about. As a</p> <p>7 result of that e-mail, do you recall that there was in</p> <p>8 fact an amendment that was entered between JP Morgan and</p> <p>9 Hunt?</p> <p>10 A. Yes.</p> <p>11 (Exhibit Number 58E referenced.)</p> <p>12 Q. (BY MR. FLEGLE) And let me show you one of them.</p> <p>13 It's been previously marked as Exhibit 58E and it's got</p> <p>14 a cover letter of February the 9th, 2011, but it has</p> <p>15 attached to the cover letter an amendment to the oil and</p> <p>16 gas lease. Do you recall that this amendment was in</p> <p>17 fact entered on or about October 27, 2010?</p> <p>18 A. It appears so.</p> <p>19 Q. Now, there are -- there are -- there is this</p> <p>20 amendment and there's an amendment for the other three</p> <p>21 leases. Do you remember they were all at the same time?</p> <p>22 I know I'm going to have to get them out.</p> <p>23 A. This specific amendment on Exhibit A had all four</p> <p>24 leases listed.</p> <p>25 Q. Oh, it did. You're -- you're exactly right.</p>	<p>1 January 2011 to the leases. Do you recall the</p> <p>2 background of that amendment?</p> <p>3 A. I'm sure if I saw the amendment, I could. At the</p> <p>4 top of my head I'm not...</p> <p>5 MR. FLEGLE: I'll tell you what, let me show</p> <p>6 you what's previously been marked as Exhibit 60B.</p> <p>7 (Exhibit Number 60B referenced.)</p> <p>8 THE WITNESS: Okay.</p> <p>9 Q. (BY MR. FLEGLE) Which is a January 26, 2011</p> <p>10 letter from Leverne Hearn to JP Morgan Chase attaching a</p> <p>11 January 6, 2011 letter and Exhibit A. Does that help</p> <p>12 you remember that there was a lease amendment in</p> <p>13 January?</p> <p>14 A. Yeah.</p> <p>15 MR. BEITER: Objection; form.</p> <p>16 A. I do recall the amendment referenced in this</p> <p>17 letter.</p> <p>18 Q. (BY MR. FLEGLE) And what was the purpose of this</p> <p>19 amendment; do you recall?</p> <p>20 A. It was to revise the description to take portions</p> <p>21 of lands of one lease and include them in -- in</p> <p>22 alternate lease.</p> <p>23 Q. And the result of this change would be that the</p> <p>24 4,000-acre lease would now be 4,888 acres and the</p> <p>25 2200-acre lease approximately would now be 1700 acres?</p>
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<p>1 You're exactly right. I'm -- I'm -- I'm corrected. The</p> <p>2 amendment that's attached to Exhibit 58E applies to all</p> <p>3 four of the Hunt Oil leases involving the South Texas</p> <p>4 Syndicate mineral interest?</p> <p>5 A. That's correct.</p> <p>6 Q. Okay. Do you recall whether or not there was any</p> <p>7 compensation paid by Hunt Oil to JP Morgan as trustee of</p> <p>8 the South Texas Syndicate for these amendments?</p> <p>9 A. I don't recall that.</p> <p>10 Q. Do you remember any discussion with Mr. Tompkins</p> <p>11 during the course of the lease amendment process of</p> <p>12 Mr. Tompkins requesting compensation from Hunt Oil for</p> <p>13 these amendments?</p> <p>14 A. As a general rule, as I stated before, we've --</p> <p>15 we've always compensated JP Morgan for lease amendments.</p> <p>16 I -- as it pertains to this particular amendment, I</p> <p>17 don't recall what that compensation was or -- or if</p> <p>18 there was.</p> <p>19 Q. And if Hunt Oil believes that it had compensated</p> <p>20 JP Morgan as trustee for these lease amendments where</p> <p>21 would the records at Hunt Oil be for showing the</p> <p>22 compensation; would they be in the lease files?</p> <p>23 A. I would assume so.</p> <p>24 Q. Now, after the October lease amendments there</p> <p>25 were -- there was an additional amendment in</p>	<p>1 A. That's correct.</p> <p>2 Q. And the result of changing those leases would</p> <p>3 have the same effect as if pooling had been allowed for</p> <p>4 those two leases?</p> <p>5 MR. BEITER: Objection; form.</p> <p>6 Q. (BY MR. FLEGLE) Right?</p> <p>7 A. I don't know that it would have all the same</p> <p>8 effects. It allowed us to drill a well that we had</p> <p>9 proposed.</p> <p>10 Q. That could not have been drilled on the leases as</p> <p>11 configured before this amendment?</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 A. It couldn't have been drilled in the same manner.</p> <p>14 Q. (BY MR. FLEGLE) All right. In this letter</p> <p>15 agreement which is dated January 6th, 2011 has as item</p> <p>16 number two compensation, and it says that there's going</p> <p>17 to be \$100 per net mineral acre compensation for this</p> <p>18 amendment; is that right?</p> <p>19 A. Yes.</p> <p>20 Q. And the \$100 per acre is calculated based on the</p> <p>21 number of acres that are moved from one lease to the</p> <p>22 other?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. Was it the usual course of business when</p> <p>25 Hunt made compensation to JP Morgan as trustee for the</p>

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<p>1 South Texas Syndicate to have a compensation and a 2 written document between Hunt Oil and JP Morgan? 3 MR. BEITER: Objection; form. 4 A. That's not always the case. 5 Q. (BY MR. FLEGLE) What -- do you know whether or 6 not -- do you recall times when Hunt Oil gave 7 compensation to JP Morgan Chase as trustee for the South 8 Texas Syndicate for lease amendments where that 9 compensation was not reduced to a written agreement? 10 MR. BEITER: Objection; form. 11 A. I'm sorry. I've lost my train of thought. Would 12 you mind repeating that question, please? 13 Q. (BY MR. FLEGLE) Yeah. Do you remember any time 14 in particular as you're sitting here today in which Hunt 15 Oil compensated JP Morgan as trustee for the South Texas 16 Syndicate for a lease amendment and that compensation 17 was not described in a written agreement? 18 A. I don't remember a specific time. I -- just -- 19 not my recollection that every time we compensated JP 20 Morgan was in a written document. The terms of that 21 compensation. 22 Q. Now, at some point in time in the first part -- 23 first quarter of 2011 there was a meeting that involved 24 Ryder Scott -- Ryder Scott. Do you remember attending 25 the meeting?</p>	<p>1 as a formality, I was hoping you could respond to this 2 e-mail as a confirmation that the maps, data and 3 information regarding Hunt Oil Company's operations in 4 LaSalle & McMullen Counties, Texas that was shared with 5 yourself, Michael Stell and Bertram Hayes-Davis on 6 3/11/11 will remain confidential as to third parties." 7 Does that help you remember a meeting with a person 8 named Michael Stell? 9 A. Yeah. No, I -- I don't recall who Michael Stell 10 or who Betram Hayes-Davis is and I don't recall 11 attending a meeting with either of those two. 12 Q. Does it jog your memory if I tell you that 13 Michael Stell was with Ryder Scott? 14 A. No. I -- I honest -- I don't recall attending a 15 meeting with either of these two individuals or Ryder 16 Scott. That -- that just -- it doesn't -- it's not -- I 17 don't -- I don't remember that at all. 18 Q. Do you have any recollection of anybody telling 19 you what maps, data and information, if any, Hunt Oil 20 shared at this meeting that involved Michael Stell or 21 Ryder Scott, petroleum engineer? 22 A. I don't remember exactly what data was shared. 23 It's maps, I'm assuming, was, you know, just our lease 24 maps, but as far as the data and other information, I 25 don't recall what that would have entailed.</p>
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<p>1 A. No. I don't recall ever attending a meeting 2 involving Ryder Scott. 3 MR. FLEGLE: Let me show you an e-mail 4 string in March 2011. I've marked the page as 5 Exhibit 826. 6 (Exhibit Number 826 marked.) 7 Q. (BY MR. FLEGLE) My first question to you is a 8 -- is -- is the bottom e-mail which is the first e-mail 9 on the string as these things go. Is that an e-mail 10 from you to Mr. Tompkins? 11 A. It appears it is. 12 Q. And the subject was meeting, right? 13 A. It appears so. 14 Q. And in the body of your e-mail and in the -- in 15 the -- well, the e-mail starts, "H.L., we appreciate you 16 all taking the time to visit this morning and I hope you 17 were able to gather the information that you needed." 18 When you say "we appreciate," was that including you as 19 part of the meeting or were you just using the 20 colloquial that you were writing this for somebody 21 else's purpose? 22 A. I think we was just probably a general term 23 meaning -- and I was speaking for myself and others at 24 Hunt. 25 Q. And then in the second paragraph you wrote, "Just</p>	<p>1 Q. Do you remember anybody prior to this meeting 2 asking you to collect either -- either maps, data or 3 information for purposes of the meeting? 4 A. I don't recall that, no. 5 Q. At any point in time after March 11, 2011, did 6 anybody internally at Hunt Oil come to you with some 7 reserve information or information on drilling schedules 8 for the four leases that Hunt Oil held at the -- in the 9 South Texas Syndicate mineral interest for purposes of 10 your looking at them and making comments? 11 A. Our development plan and reserve for information 12 is discussed internally in several different -- in our 13 office meetings, so I was privy to that information. 14 Q. And when -- when you say you were privy to it, is 15 that you just happened to be in the meeting when the 16 information was discussed? 17 A. Correct. 18 Q. And it would not be internal discussions in which 19 you were collecting information and presenting or 20 commenting on or would it be? 21 A. As it pertained to the land-related issues, I 22 would make comments. 23 Q. And -- and what are land-related issues? 24 A. Well, anything related to our drilling schedule 25 as it pertains to land issues such as, perhaps, a</p>

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<p>1 surface owner issue, for example or a lease provision</p> <p>2 issue or a lease term issue, something related to that</p> <p>3 arena.</p> <p>4 Q. Things like easements?</p> <p>5 A. In easement it would be considered a land-related</p> <p>6 issue, yeah.</p> <p>7 Q. Do you remember having some conversations with</p> <p>8 Mr. Tompkins about granting -- about JP Morgan as</p> <p>9 trustee granting easements to Hunt Oil for purposes of a</p> <p>10 South Texas Syndicate mineral interest?</p> <p>11 A. Vaguely.</p> <p>12 (Exhibit Number 827 marked.)</p> <p>13 Q. (BY MR. FLEGLE) Let me show you what's been</p> <p>14 marked as Exhibit 827 which is an e-mail from you the</p> <p>15 next month. This is in July 2011, July 15. My first</p> <p>16 question is: Do you remember this issue and discussing</p> <p>17 it with Mr. Tompkins?</p> <p>18 A. Okay. This does -- yeah, I do recall this was an</p> <p>19 e-mail from me, yes.</p> <p>20 Q. And in the second paragraph you say, "On another</p> <p>21 note, we briefly spoke a few weeks ago regarding a</p> <p>22 pipeline/flowline easement across lease lines in</p> <p>23 McMullen County. Our legal department has told me that</p> <p>24 you indeed have the right to grant such an easement."</p> <p>25 And the "you indeed" there is JP Morgan as trustee?</p>	<p>1 easement if -- if -- well, do you know whether or not if</p> <p>2 an easement was obtained from the land -- the surface</p> <p>3 owners --</p> <p>4 MR. BEITER: Objection; form.</p> <p>5 Q. (BY MR. FLEGLE) -- as -- as identified here in</p> <p>6 this July 15 e-mail?</p> <p>7 A. I believe we do have easements from the surface</p> <p>8 owners, yes.</p> <p>9 Q. And were the surface owners compensated for those</p> <p>10 easements?</p> <p>11 A. Generally.</p> <p>12 Q. But you don't recall whether or not there was any</p> <p>13 conversation from Mr. Tompkins back to you on whether or</p> <p>14 not JP Morgan had looked to see if it as trustee could</p> <p>15 grant such an easement?</p> <p>16 A. I don't recall if he did or didn't.</p> <p>17 Q. There was a late rental check that was paid in</p> <p>18 August 2011 by Hunt Oil to the South Texas Syndicate</p> <p>19 Trust. Did you have any role in determining when the</p> <p>20 rental check was paid and when it was due?</p> <p>21 A. I believe there's -- there's always communication</p> <p>22 between myself and our lease records department and</p> <p>23 generally speaking when rental payments are made. I</p> <p>24 wouldn't say -- let me rephrase always. I would say</p> <p>25 frequently.</p>
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<p>1 A. Yes.</p> <p>2 Q. Do you know whether such easement was granted?</p> <p>3 A. I don't believe so. Not from JP Morgan.</p> <p>4 Q. Was there an easement that was ultimately</p> <p>5 obtained?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. We've gotten easements from the surface owner in</p> <p>8 McMullen County across our lease position and also</p> <p>9 what's described in this e-mail as the donut hole which</p> <p>10 contains the Petrohawk now BHP leases.</p> <p>11 Q. (BY MR. FLEGLE) Did -- do you remember any</p> <p>12 reaction from Mr. Tompkins about whether or not JP</p> <p>13 Morgan as trustee had concluded whether or not it had a</p> <p>14 right to grant an easement to Hunt Oil?</p> <p>15 A. I don't recall. No, I don't recall him having a</p> <p>16 reaction to that.</p> <p>17 Q. Now, obtaining an easement for the purposes you</p> <p>18 describe in your July 20 -- 15, 2011 e-mail is something</p> <p>19 that would be beneficial to the operator; would it not?</p> <p>20 MR. BEITER: Objection; form.</p> <p>21 Q. (BY MR. FLEGLE) I mean it has a value.</p> <p>22 A. An easement has a value --</p> <p>23 Q. Yeah.</p> <p>24 A. -- I would agree with that.</p> <p>25 Q. Okay. And do you know whether or not when the</p>	<p>1 (Exhibit Number 828 marked.)</p> <p>2 Q. (BY MR. FLEGLE) Let me show you a check and some</p> <p>3 attachments from JP Morgan. I just asked you a question</p> <p>4 about the cover page which is the check dated August 1,</p> <p>5 2011 and it's marked as Exhibit 828.</p> <p>6 A. Uh-huh.</p> <p>7 Q. Is this check in the amount of \$309,407.70</p> <p>8 refresh your recollection of whether or not there was an</p> <p>9 issue that this check -- delayed rental check was</p> <p>10 late --</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 Q. (BY MR. FLEGLE) -- pursuant to the terms of the</p> <p>13 leases involved?</p> <p>14 A. I don't recall. I -- I don't recall there being</p> <p>15 discussions as to whether or not this check was, as you</p> <p>16 say, late.</p> <p>17 Q. You -- you don't have any recollection of an</p> <p>18 issue of the timing on -- on this --</p> <p>19 A. I don't recall that, no.</p> <p>20 Q. Did -- did you have anyone in -- inform you about</p> <p>21 the transaction between Hunt Oil and Marubeni that was</p> <p>22 publically disclosed in January 2012?</p> <p>23 A. Could you repeat that question? I'm not -- or --</p> <p>24 Q. Sure.</p> <p>25 A. -- clarify your question?</p>

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<p>1 Q. Sure. Let me back up. We kind of briefly</p> <p>2 discussed a transaction between Hunt Oil and Marubeni</p> <p>3 that closed in December 2011 and was reported to the</p> <p>4 public in January of 2012.</p> <p>5 A. Uh-huh.</p> <p>6 Q. How did you find out about the transaction?</p> <p>7 A. I was involved -- I was not involved in the</p> <p>8 negotiations of the -- of the transaction, per se, but I</p> <p>9 was involved in the logistics of supplying Marubeni with</p> <p>10 the information that facilitated and -- and that they</p> <p>11 requested in order to close that transaction.</p> <p>12 Q. Did you participate in providing Marubeni</p> <p>13 information about the reserves and/or values as they</p> <p>14 related to the various leases that were a part?</p> <p>15 A. No, that wouldn't have been in my area of</p> <p>16 expertise.</p> <p>17 Q. Did -- but you did know sometime before the</p> <p>18 transaction that the Marubeni transaction included</p> <p>19 interests in the Hunt leases on the South Texas</p> <p>20 Syndicate mineral interest?</p> <p>21 A. I was aware that, yes, the Marubeni did include</p> <p>22 these leases.</p> <p>23 Q. And the public disclosure on the transaction said</p> <p>24 Marubeni obtained a 35 percent interest in certain</p> <p>25 acreage. Did you have an understanding of how that 35</p>	<p>1 (Exhibit Number 829 marked.)</p> <p>2 Q. (BY MR. FLEGLE) Okay. I think we're on the same</p> <p>3 page. There is a Schedule 3.6 to -- the deal documents</p> <p>4 that had been produced by Hunt as Hunt 34. I've marked</p> <p>5 it as Exhibit 829. 829 has a caption Allocated Values.</p> <p>6 Prior to me showing you that Schedule 3.6 today had you</p> <p>7 seen it before?</p> <p>8 A. I believe so.</p> <p>9 Q. The -- can you tell me your understanding of what</p> <p>10 this schedule represents?</p> <p>11 A. Uh-huh.</p> <p>12 MR. BEITER: Objection; form.</p> <p>13 A. To my understanding of the Marubeni deal there</p> <p>14 was allocated values to different pieces of acreage at</p> <p>15 the time Hunt obtained within the Eagle Ford and then</p> <p>16 there was an allocated value to our LaSalle McMullen</p> <p>17 lease position.</p> <p>18 Q. (BY MR. FLEGLE) And was the Hunt Oil LaSalle</p> <p>19 McMullen lease position at the time of the Marubeni</p> <p>20 transaction all on South Texas Syndicate mineral</p> <p>21 interest?</p> <p>22 A. Yes.</p> <p>23 Q. So if I'm -- I'm looking at this chart --</p> <p>24 schedule. Am I correct that the allocation to the South</p> <p>25 Texas Syndicate mineral interest owned by Hunt Oil was</p>
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<p>1 percent applied to Hunt's 50 percent interest in the</p> <p>2 South Texas Syndicate mineral leases?</p> <p>3 A. Yes. They received 35 percent of our 50 percent</p> <p>4 interest.</p> <p>5 Q. So --</p> <p>6 A. So at that point they had 32 and a half percent</p> <p>7 interest and Marubeni had a 17 and a half percent</p> <p>8 interest.</p> <p>9 Q. Okay.</p> <p>10 A. And at that time I can't remember if -- if our</p> <p>11 current partner at that time was still Bass or if they</p> <p>12 had assigned their interest to Murphy. So it was either</p> <p>13 Bass or Murphy was -- still obtained their 50 percent</p> <p>14 interest and the remaining 50 percent was divided 32 and</p> <p>15 a half percent Hunt and 17 and a half percent Marubeni.</p> <p>16 Q. Okay. So if I were doing the calculations, then,</p> <p>17 the Marubeni's -- the Marubeni interest was not a net</p> <p>18 35 percent interest, it was 35 percent of Hunt's 50</p> <p>19 percent interest?</p> <p>20 A. That's correct.</p> <p>21 Q. Okay. And then as a result what Marubeni paid</p> <p>22 for and got was a 17 and a half percent interest?</p> <p>23 A. Of the 100 percent.</p> <p>24 Q. Of the 100 percent.</p> <p>25 A. Uh-huh.</p>	<p>1 \$26.5 million?</p> <p>2 A. It appears so, but I -- I can't -- it's been a</p> <p>3 long time since I've reviewed these documents, but it</p> <p>4 appears that that's accurate.</p> <p>5 Q. And then the fourth line down says, Lease</p> <p>6 Allocation Value dollars per acre \$14,598. What -- what</p> <p>7 does lease allocation value reference; do you know?</p> <p>8 MR. BEITER: Objection; form.</p> <p>9 MR. DAVIDSON: Same objection.</p> <p>10 A. Yeah, I'm not -- that's probably a question</p> <p>11 better asked to somebody who wrote that schedule.</p> <p>12 Q. (BY MR. FLEGLE) Were you advised about what</p> <p>13 information Hunt Oil shared with Marubeni about the</p> <p>14 prospects that Hunt Oil anticipated on the South Texas</p> <p>15 Syndicate mineral interest lease -- leases prior to this</p> <p>16 transaction closing?</p> <p>17 A. Was I advised to?</p> <p>18 Q. Well, Hunt Oil had told Marubeni about --</p> <p>19 A. Our reserves and --</p> <p>20 Q. Yes.</p> <p>21 A. No. I was not advised on that.</p> <p>22 Q. Do you know whether or not if Hunt Oil gave such</p> <p>23 information to Marubeni?</p> <p>24 A. I think -- I'm sure that Marubeni did their due</p> <p>25 diligence and reviewed reserves, well performance and</p>

20 (Pages 74 to 77)

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<p>1 things like that.</p> <p>2 Q. At the time of this transaction with Marubeni,</p> <p>3 did Hunt Oil have the expectation that wells drilled on</p> <p>4 the South Texas Syndicate mineral interest leases would</p> <p>5 be economic?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. Again, that's a question probably better answered</p> <p>8 by someone on our technical staff as to the economics of</p> <p>9 the well.</p> <p>10 Q. (BY MR. FLEGLE) Well, as -- as of the time that</p> <p>11 the Hunt/Marubeni deal was closed, Hunt Oil was</p> <p>12 anticipating proceeding with a drilling -- drill program</p> <p>13 or drill plan, wasn't it?</p> <p>14 A. That's -- yes. Our plan at that point was to</p> <p>15 proceed with attempting to develop these leases.</p> <p>16 Q. And was that plan to proceed to attempt to</p> <p>17 develop the leases in any way changed in 2012?</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 Q. (BY MR. FLEGLE) Let me -- let me start all over</p> <p>20 again because that -- that's got too many facets in it.</p> <p>21 Did Hunt Oil continue to expect to develop the South</p> <p>22 Texas Syndicate mineral interest leases in 2012?</p> <p>23 A. Yes.</p> <p>24 Q. And in 2013?</p> <p>25 A. Yes.</p>	<p>1 purchase and sale agreement other than the one that we</p> <p>2 just discussed?</p> <p>3 MR. BEITER: Objection; form.</p> <p>4 A. I've -- I have reviewed certain portions of the</p> <p>5 purchase and sale agreement.</p> <p>6 (Exhibit Number 830 marked.)</p> <p>7 Q. (BY MR. FLEGLE) Let me show you Exhibit 830.</p> <p>8 And this is Defendant's 131009 through 131026. I'll</p> <p>9 represent to you that's a document series of numbers put</p> <p>10 on these documents by JP Morgan.</p> <p>11 A. I'm sorry, was there a question?</p> <p>12 Q. Yeah. Have you seen these schedules before?</p> <p>13 A. Let's see here. I'm familiar -- I'm more</p> <p>14 familiar with some of these than others.</p> <p>15 Q. Do you have any recollection of anybody at JP</p> <p>16 Morgan requesting that you give them these schedules on</p> <p>17 Exhibit 830?</p> <p>18 A. No. I don't recall JP Morgan ever requesting</p> <p>19 these schedules.</p> <p>20 Q. There's a list of persons, it looks like, from</p> <p>21 Hunt Oil that are listed on schedule one which has</p> <p>22 knowledge and it's the second page into the exhibit.</p> <p>23 There's seven persons that are listed. Are those all</p> <p>24 persons that are employees of Hunt Oil at the time?</p> <p>25 A. Yes.</p>
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<p>1 Q. Now, a few minutes ago you mentioned to me that</p> <p>2 the Bass companies had assigned their interests to</p> <p>3 Murphy?</p> <p>4 A. That's correct.</p> <p>5 Q. When did that happen? I tell you what -- before</p> <p>6 the one when that happened -- were the assignments by</p> <p>7 the Bass companies to Murphy an assignment of the Bass</p> <p>8 Company's interest in the South Texas Syndicate mineral</p> <p>9 interest?</p> <p>10 A. Yes.</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 Q. (BY MR. FLEGLE) Okay. When did that</p> <p>13 transaction -- that assignment occur generally speaking?</p> <p>14 A. I don't recall if that was 2011 or 2012.</p> <p>15 Q. Were you told by anyone what the consideration</p> <p>16 was that Murphy paid the Bass companies --</p> <p>17 A. No.</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 A. I don't know that answer.</p> <p>20 Q. (BY MR. FLEGLE) Do you know if any consideration</p> <p>21 was paid by Murphy to the Bass Company?</p> <p>22 A. I don't know that.</p> <p>23 Q. There are certain schedules to the Marubeni</p> <p>24 purchase and sale agreement that have been produced</p> <p>25 around by JP Morgan. Have you seen any schedules to the</p>	<p>1 Q. What was Dennis Grindinger's title in 2000 --</p> <p>2 January 2012?</p> <p>3 A. I don't recall exactly. I -- he was a senior</p> <p>4 management at Hunt. I believe he -- his role was super</p> <p>5 -- he was a manager of our corporate development</p> <p>6 department and various other -- I believe his title</p> <p>7 might have been chief financial officer or chief</p> <p>8 executive officer, something to that effect.</p> <p>9 Q. Do you know whether Mr. Grindinger made any</p> <p>10 contacts to JP Morgan back in --</p> <p>11 A. I would have no knowledge as to anything that --</p> <p>12 or anyone that Dennis Grindinger would've contacted</p> <p>13 pretty much on any level.</p> <p>14 Q. What was Paul Habenicht's title?</p> <p>15 A. He was senior vice president of U.S. onshore</p> <p>16 development, I believe.</p> <p>17 Q. Do you know whether Mr. Habenicht had any</p> <p>18 contacts with JP Morgan regarding the South Texas</p> <p>19 Syndicate leases?</p> <p>20 A. I do not know that.</p> <p>21 Q. The next person is Travis Armayor. What was his</p> <p>22 title?</p> <p>23 A. He was a vice president of corporate development.</p> <p>24 Q. In Hunt Oil?</p> <p>25 A. Yes.</p>

21 (Pages 78 to 81)

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<p>1 Q. Do you know whether Mr. Armayor had any contacts</p> <p>2 with JP Morgan concerning the South Texas Syndicate</p> <p>3 leases?</p> <p>4 A. I do not know that.</p> <p>5 Q. The next person is Bill Rex.</p> <p>6 A. He's vice president of land.</p> <p>7 Q. Okay. And he's somebody that you report to at</p> <p>8 least indirectly?</p> <p>9 A. Correct.</p> <p>10 Q. Do you know if Mr. Rex had any contacts with JP</p> <p>11 Morgan as it relates to the South Texas Syndicate</p> <p>12 leases?</p> <p>13 A. I don't -- I don't know that.</p> <p>14 Q. Ernie Easley, what was his title?</p> <p>15 A. He was a senior vice president of South Texas,</p> <p>16 Gulf of Mexico business. Vice president of exploration</p> <p>17 for South Texas Gulf Coast.</p> <p>18 Q. Did that -- did that area include the Eagle Ford?</p> <p>19 A. Yes.</p> <p>20 Q. Do you know whether Mr. Easley had any</p> <p>21 communications with JP Morgan regarding the South Texas</p> <p>22 Syndicate leases?</p> <p>23 A. I don't -- I don't know that.</p> <p>24 Q. The next person is Russ Darr, D-A-R-R. What was</p> <p>25 Russ Darr's title?</p>	<p>1 Q. (BY MR. FLEGLE) Did -- did you have any</p> <p>2 information given to you either before or after the</p> <p>3 Marubeni transaction in December 2011 that JP Morgan had</p> <p>4 talked with Marubeni about the transaction with Hunt</p> <p>5 Oil?</p> <p>6 MR. BEITER: Objection; form.</p> <p>7 A. Can you repeat that? The -- the transaction was</p> <p>8 in December of 2012.</p> <p>9 Q. (BY MR. FLEGLE) I -- let's see -- I think...</p> <p>10 A. I'm sorry, you're right. It was in '11 -- or was</p> <p>11 it '11? I'm sorry.</p> <p>12 Q. Yeah, the front -- the front page of Exhibit 830</p> <p>13 will give you a -- a date, an agreement like the third</p> <p>14 line there.</p> <p>15 A. Okay. Yeah, 2011.</p> <p>16 Q. It's a little confusing because the transaction</p> <p>17 closed in December of 2011 and it was publically</p> <p>18 announced in January 2012.</p> <p>19 A. Okay. Yeah, so I apologize.</p> <p>20 Q. That's okay.</p> <p>21 A. What was -- what was your question again?</p> <p>22 Q. Sure. Either before or after this transaction,</p> <p>23 did you get information from any source that JP Morgan</p> <p>24 had communicated with Marubeni about this transaction</p> <p>25 with Hunt Oil prior to the time it was closed?</p>
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<p>1 A. He was vice president of corporate reservoir</p> <p>2 engineering.</p> <p>3 Q. And do you know if Mr. Darr had any</p> <p>4 communications with JP Morgan relating to the South</p> <p>5 Texas Syndicate leases?</p> <p>6 A. No, sir.</p> <p>7 Q. Last person was Dan Ray. What was Dan Ray's</p> <p>8 title?</p> <p>9 A. He's a vice president of oil and gas marketing.</p> <p>10 Q. And do you know if Mr. Ray had any contacts with</p> <p>11 JP Morgan concerning the South Texas Syndicate leases?</p> <p>12 A. No, sir.</p> <p>13 Q. Now having looked at these schedules and</p> <p>14 discussed the Marubeni deal in a little more detail, do</p> <p>15 you now remember whether or not you knew that JP Morgan</p> <p>16 owned stock in Marubeni at the time of this transaction</p> <p>17 with Hunt Oil in December of 2011?</p> <p>18 MR. BEITER: Objection; form.</p> <p>19 A. I'm unaware of JP Morgan's relationship, if any,</p> <p>20 with Marubeni.</p> <p>21 Q. (BY MR. FLEGLE) And nobody at JP Morgan told you</p> <p>22 during -- during or after this transaction that JP</p> <p>23 Morgan, in fact, had stock in Marubeni?</p> <p>24 MR. BEITER: Objection; form.</p> <p>25 A. No one told me that.</p>	<p>1 MR. BEITER: Objection; form.</p> <p>2 A. I have no knowledge of that.</p> <p>3 MR. FLEGLE: Let me give you a series of</p> <p>4 letters here that we're going to identify here. They</p> <p>5 start with Exhibit 831 which is the January 5 letter for</p> <p>6 the 3,000-acre lease.</p> <p>7 (Exhibit Number 831 marked.)</p> <p>8 MR. FLEGLE: Exhibit 832 is a January 5</p> <p>9 letter for the 4800-acre lease.</p> <p>10 (Exhibit Number 832 marked.)</p> <p>11 MR. FLEGLE: Exhibit 833 is a January 5</p> <p>12 letter -- I gave you both. There's another copy in</p> <p>13 there. There you go.</p> <p>14 THE WITNESS: You want that one?</p> <p>15 MR. FLEGLE: There you go. It's a January 5</p> <p>16 letter for the 683-acre lease.</p> <p>17 (Exhibit Number 833 marked.)</p> <p>18 MR. FLEGLE: And Exhibit 834 is a January 5</p> <p>19 letter for the 1700-acre lease.</p> <p>20 (Exhibit number 834 marked.)</p> <p>21 Q. (BY MR. FLEGLE) And having Exhibits 831 through</p> <p>22 834 there in front of you, do they help you remember</p> <p>23 what you were asked to do as a result of the Marubeni</p> <p>24 transaction with Hunt Oil as it related to the South</p> <p>25 Texas Syndicate lease -- leases?</p>

22 (Pages 82 to 85)

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<p>1 MR. BEITER: Objection; form.</p> <p>2 A. Well, these letters are -- we were obligated to</p> <p>3 obtain a consent of assignment from JP Morgan because we</p> <p>4 made a partial assignment per that transaction to</p> <p>5 Marubeni.</p> <p>6 Q. (BY MR. FLEGLE) The -- I just -- do you remember</p> <p>7 any questions by JP Morgan as trustee about who Marubeni</p> <p>8 was and what the structure of Marubeni Eagle Ford, LP,</p> <p>9 was?</p> <p>10 A. No.</p> <p>11 Q. Anything like that?</p> <p>12 A. Huh-uh.</p> <p>13 Q. In the second paragraph of these letters I just</p> <p>14 want to make sure that I understand what -- what is</p> <p>15 meant by what you were writing. It says, upon the</p> <p>16 partial assignment of your lease by Hunt to Marubeni,</p> <p>17 Marubeni will own a 35 percent interest in Hunt's right</p> <p>18 title and interest in the lease. So that's -- that's</p> <p>19 referencing 35 percent of 50 percent, right?</p> <p>20 A. That's correct.</p> <p>21 Q. And then it says, and Hunt will continue to own</p> <p>22 its remaining 65 percent interest in your lease and the</p> <p>23 -- its remaining 65 percent interest referencing 65</p> <p>24 percent of 50 percent, right?</p> <p>25 A. Right.</p>	<p>1 wanted the extension was to analyze -- our technical</p> <p>2 staff wanted to analyze microseismic data that we had</p> <p>3 recently gathered in an effort to improve well</p> <p>4 performance. And at that point we were coming up on the</p> <p>5 expiration of the primary term and we wanted extra time</p> <p>6 to analyze the microseismic data in an effort to improve</p> <p>7 well performance and H.L. Tompkins notified me that</p> <p>8 prior to making a decision on our proposed amendment,</p> <p>9 they wanted an independent third party, I believe is</p> <p>10 what he called it, to -- to come review our data and our</p> <p>11 -- and to analyze was it prudent for us to take the</p> <p>12 extra time to analyze that data and was that something</p> <p>13 that was -- that would be beneficial to JP Morgan.</p> <p>14 Q. And -- well, let me start again. Did you attend</p> <p>15 one or more meetings involve -- for that issue?</p> <p>16 A. Yes.</p> <p>17 Q. Do you remember a person there named Keith</p> <p>18 Masters?</p> <p>19 A. I do.</p> <p>20 Q. Did you have a discuss -- did you have a dialogue</p> <p>21 with him?</p> <p>22 A. A brief dialogue. He was more interested in the</p> <p>23 technical aspects of the project, geologic aspects of</p> <p>24 the project which he was there for a presentation given</p> <p>25 by our geologic and technical team which I attended the</p>
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<p>1 Q. Okay. And then you state the operator of your</p> <p>2 lease will not change as a result of the transaction.</p> <p>3 So Hunt Oil remained as the operator?</p> <p>4 A. That's correct.</p> <p>5 Q. And it still is the operator today?</p> <p>6 A. That's correct.</p> <p>7 MR. FLEGLE: Okay. Why don't we go off the</p> <p>8 record for just a second?</p> <p>9 THE VIDEOGRAPHER: Off the record at</p> <p>10 12:22 p.m.</p> <p>11 (Break taken from 12:22 p.m. to 1:27 p.m.)</p> <p>12 THE VIDEOGRAPHER: Back on the record at</p> <p>13 1:27 p.m.</p> <p>14 THE WITNESS: Okay.</p> <p>15 Q. (BY MR. FLEGLE) We were talking about the 2012</p> <p>16 year and some of events that were in it. Do you</p> <p>17 remember some discussions between Hunt Oil and JP Morgan</p> <p>18 involving geological issues and discussions with the JP</p> <p>19 Morgan expert -- outside expert?</p> <p>20 A. I do.</p> <p>21 Q. What do you recall about those discussions?</p> <p>22 A. Those discussions -- at that point in time we had</p> <p>23 proposed yet another lease amendment to JP Morgan, and</p> <p>24 one of the proposed amendments was an extension of the</p> <p>25 primary term and that proposal included -- the reason we</p>	<p>1 meeting, but it was more of a technical discussion than</p> <p>2 a land discussion.</p> <p>3 Q. Did you get the impression -- well -- well, from</p> <p>4 your impression of what Mr. Masters said in the meeting,</p> <p>5 did you have an impression of whether or not Mr. Masters</p> <p>6 had had previous experience in Eagle Ford?</p> <p>7 MR. BEITER: Objection; form.</p> <p>8 A. I don't really recall having too much of a</p> <p>9 conversation with Mr. Masters or having an opinion one</p> <p>10 way or the other as to his expertise in the Eagle Ford.</p> <p>11 Q. (BY MR. FLEGLE) There's a letter report that</p> <p>12 Mr. Masters sent to Mr. Tompkins at JP Morgan on --</p> <p>13 dated May 8, 2012. It's been marked as Exhibit 401.</p> <p>14 Let me show you a copy of it. Have you seen that</p> <p>15 May 8th, 2012 letter before?</p> <p>16 (Exhibit Number 401 referenced.)</p> <p>17 A. I don't recall seeing this letter, no.</p> <p>18 Q. (BY MR. FLEGLE) Do you recall discussing</p> <p>19 Mr. Masters' view of the data that he was shown by Hunt</p> <p>20 Oil either during the meeting or after the meeting?</p> <p>21 A. Did I have a discussion with Mr. Masters</p> <p>22 regarding his thoughts on the data he sought?</p> <p>23 Q. Correct.</p> <p>24 A. No.</p> <p>25 Q. Who else other than you was at -- do you remember</p>

23 (Pages 86 to 89)

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<p>1 being in the meeting involving Mr. Masters?</p> <p>2 A. Among others myself, Larry Guzik, John Burkhart</p> <p>3 Allen Zimmerman. I'm sure -- I -- I remember for</p> <p>4 certain that those people were there and there were</p> <p>5 others, but I can't really say for certain what others</p> <p>6 were there, but other members of the Hunt Oil Company</p> <p>7 technical staff.</p> <p>8 Q. Do you remember either Mr. Tompkins or</p> <p>9 Mr. Masters asking the Hunt Oil group if the information</p> <p>10 that Hunt Oil was giving to JP Morgan in this meeting</p> <p>11 was the same information that Hunt Oil gave to the</p> <p>12 Marubeni group before their deal?</p> <p>13 A. No.</p> <p>14 Q. Or do you remember any -- any questions by</p> <p>15 Mr. Tompkins or Mr. Masters asking if there was any</p> <p>16 information that was shown to Marubeni before the</p> <p>17 transaction between Hunt and Marubeni relating to the</p> <p>18 South Texas Syndicate leases that was not being shown in</p> <p>19 this meeting?</p> <p>20 A. No. I don't recall if -- I don't recall if the</p> <p>21 subject of Marubeni ever came up.</p> <p>22 Q. Now, there was a request a month later in June of</p> <p>23 2012 for a brief 60-day extension of the leases. Let me</p> <p>24 show you what's previously been marked as Exhibit 67</p> <p>25 which is a letter dated June 21, 2012. Is this a letter</p>	<p>1 about the value of the reserves in the various leases on</p> <p>2 the South Texas Syndicate?</p> <p>3 A. No, sir.</p> <p>4 Q. In Exhibit 4 -- is it 401 -- no, 60 -- 67. On</p> <p>5 Exhibit 67 that I've just shown you when I first read</p> <p>6 it, it looked to me like it only covered one lease which</p> <p>7 is the 3,094-acre lease, but in reality it also covers</p> <p>8 the 4,888-acre lease too, doesn't it?</p> <p>9 A. If you'll bear with me, I need to take a second</p> <p>10 to read -- remind myself.</p> <p>11 Q. Sure.</p> <p>12 A. Yeah.</p> <p>13 Q. Yeah, please do.</p> <p>14 MR. FLEGLE: I need to get something.</p> <p>15 Excuse me.</p> <p>16 A. Right. Okay. So yeah, we were -- we were in the</p> <p>17 process of negotiating and trying to formalize proposed</p> <p>18 amendments, and as I mentioned we were coming up on the</p> <p>19 expiration of the primary term and the goal was to get a</p> <p>20 60-day extension on the 3,094-acre lease to give us</p> <p>21 additional time to try to formalize and finalize those</p> <p>22 proposed amendments. Within that time, I believe, we</p> <p>23 were in the process of -- or we had just finished</p> <p>24 drilling a well on the 4800-acre lease, but we wanted to</p> <p>25 not drill an additional well on that lease for an</p>
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<p>1 that you sent?</p> <p>2 (Exhibit Number 67 referenced.)</p> <p>3 A. Yes.</p> <p>4 Q. (BY MR. FLEGLE) The -- the letter has attached</p> <p>5 to it a -- an e-mail string -- let's see, this is just</p> <p>6 the next production page in the production from JP</p> <p>7 Morgan and it's got a couple of names on it: Jeff --</p> <p>8 Jeffrey Sone and Peter Hosey. Do you recall either of</p> <p>9 those people?</p> <p>10 A. Yes. I've attended a meeting. Mr. Tompkins and</p> <p>11 Mr. Hosey came to the Hunt offices to discuss our</p> <p>12 proposed lease amendments.</p> <p>13 Q. And what was Mr. Hosey's role, if you know?</p> <p>14 A. He was a -- he's an attorney with Jackson Walker</p> <p>15 at that time representing -- or as a -- he was on a</p> <p>16 consulting basis in some capacity for JP Morgan.</p> <p>17 Q. Either at the meeting back in May with</p> <p>18 Mr. Masters or at this -- or the meeting that led up to</p> <p>19 this 60-day lease extension letter, did anybody on the</p> <p>20 JP Morgan side or Mr. Hosey or Mr. Sone share with you</p> <p>21 that JP Morgan was working with investment bankers on</p> <p>22 possible alternatives for the South Texas Syndicate?</p> <p>23 A. No, that information was never shared with me.</p> <p>24 Q. Or did they share any information with you on</p> <p>25 evaluations that they had received from Ryder Scott</p>	<p>1 extended period of time -- more time than was stipulated</p> <p>2 in the existing lease for continuous development.</p> <p>3 Q. (BY MR. FLEGLE) So the end result of this</p> <p>4 June 21, 2012 letter was a 60-day extension on the</p> <p>5 3,094-acre lease or was it the same 60-day extension on</p> <p>6 the 4,888-acre lease?</p> <p>7 A. No. We did not receive a 60-day extension on</p> <p>8 that lease.</p> <p>9 Q. Do you remember what the extension was?</p> <p>10 A. There wasn't -- there wasn't an extension on that</p> <p>11 lease. There was an amendment to the continuous</p> <p>12 development provision when the amendment was finally</p> <p>13 constructed, but there was never a -- a extension on the</p> <p>14 primary term of the 4800-plus acre lease.</p> <p>15 Q. Was there an extension of the primary term of the</p> <p>16 3,094-acre lease?</p> <p>17 A. For 60 days, yes.</p> <p>18 Q. And the amount for that extension was \$154,700?</p> <p>19 A. That's what we had proposed, but if I remember</p> <p>20 correctly, I think the final compensation was 175,000,</p> <p>21 which was more than what we had proposed.</p> <p>22 Q. And how was the 175,000 calculated; do you know?</p> <p>23 A. I don't recall.</p> <p>24 Q. And was that 175,000 compensation for the 60-day</p> <p>25 lease extension applied to any amounts due by Hunt Oil</p>

24 (Pages 90 to 93)

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<p>1 on the subsequent extensions -- I'm sorry. The</p> <p>2 subsequent amendments that were in -- in I believe --</p> <p>3 A. Yeah. No, I believe that the 175,000 was solely</p> <p>4 for the 60-day extension.</p> <p>5 Q. Okay. And it was solely for an extension on the</p> <p>6 3,094-acre lease?</p> <p>7 A. I believe so.</p> <p>8 Q. Okay. And that amount to your knowledge was</p> <p>9 paid?</p> <p>10 A. Yes.</p> <p>11 (Exhibit Number 835 marked.)</p> <p>12 Q. (BY MR. FLEGLE) And this was covered by what was</p> <p>13 contemplated by Exhibit 67. Let me show you what's been</p> <p>14 marked as Exhibit 835 which is an Amendment of</p> <p>15 Memorandum of Oil and Gas Lease and see if that</p> <p>16 amendment or memorandum reflects the extension that was</p> <p>17 in your --</p> <p>18 A. I believe so, yes.</p> <p>19 Q. The extension in your June 21 letter?</p> <p>20 A. That's accurate.</p> <p>21 Q. Okay. And that amendment to the memorandum of</p> <p>22 the oil and gas lease only applies to the 3,000-plus</p> <p>23 acre lease, right?</p> <p>24 A. That's correct.</p> <p>25 Q. All right. Over the course of 2012, did you have</p>	<p>1 you to make that observation in your August 9 e-mail?</p> <p>2 A. I think that observation was sarcastic on my</p> <p>3 part. I certainly didn't think that Mr. Hosey or</p> <p>4 anybody at J -- at JP Morgan had literally trouble</p> <p>5 comprising language on extension of the primary term.</p> <p>6 It was sarcasm and frustration on my part prob -- you</p> <p>7 know, coming out on an e-mail, that we had not seen a</p> <p>8 language that would be acceptable to them for that</p> <p>9 purpose.</p> <p>10 Q. Did you get --</p> <p>11 A. Or -- or a response to a proposed amendment that</p> <p>12 we had sent. I don't recall which one.</p> <p>13 Q. Did you get a response from Mr. Tompkins</p> <p>14 explaining why you hadn't seen this language?</p> <p>15 A. Generally Mr. Tompkins when issues like this came</p> <p>16 up with -- continued to say that his legal team was</p> <p>17 reviewing it, they were discussing their options and</p> <p>18 that -- that he would -- he would try to get back with</p> <p>19 me as soon as he could when we had -- had something</p> <p>20 available to him to propose.</p> <p>21 Q. And did he have any explanation for why it was</p> <p>22 taking so long?</p> <p>23 A. In this instance I don't recall. I would assume</p> <p>24 it was because it was under review.</p> <p>25 (Exhibit Number 837 marked.)</p>
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<p>1 any opportunity to sit down and visit with anyone from</p> <p>2 Lazard or Bank of America or Jeffrey's or Mc -- Mc -- or</p> <p>3 any other investment banker that was evidencing interest</p> <p>4 in assisting JP Morgan as the trustee of the South Texas</p> <p>5 Syndicate in looking at alternatives for the South Texas</p> <p>6 Syndicate mineral interest?</p> <p>7 A. No, sir.</p> <p>8 (Exhibit Number 836 marked.)</p> <p>9 Q. (BY MR. FLEGLE) I'm -- I'm getting us to</p> <p>10 August 2012 and the discussions of what ultimately</p> <p>11 became amendments to the four leases. I've marked as</p> <p>12 Exhibit 836 an August 9 e-mail from you to Mr. Tompkins.</p> <p>13 A. Uh-huh.</p> <p>14 Q. And you see in the -- is this an e-mail from you</p> <p>15 to Mr. Tompkins?</p> <p>16 A. Yes, sir.</p> <p>17 Q. And you see in the first part of the e-mail,</p> <p>18 "H.L., per our conversation on Tuesday and due to the</p> <p>19 fact that we have yet to see a proposed amendment, I can</p> <p>20 only assume that your legal team continues to struggle</p> <p>21 to devise language that extends our leases for an</p> <p>22 additional 10 months and allows Hunt to pertain, per the</p> <p>23 RRC rules and regulations, the allowed or permitted</p> <p>24 amount of acreage around a horizontal well." Do you</p> <p>25 remember what Mr. Tompkins was saying to you that led</p>	<p>1 Q. (BY MR. FLEGLE) The next day there was a series</p> <p>2 of e-mails involving you and Mr. Tompkins. I've marked</p> <p>3 it as Exhibit 837 dated August 10. Can you identify</p> <p>4 those e-mails as including e-mails to you?</p> <p>5 A. And -- it does appear to be an e-mail exchange</p> <p>6 between myself and H.L. Tompkins.</p> <p>7 Q. And if you could -- and then there's an</p> <p>8 attachment to the e-mail that it has a marked-up version</p> <p>9 of some lease language.</p> <p>10 A. Uh-huh.</p> <p>11 Q. Is -- is that correct?</p> <p>12 A. I'm sorry, what was your -- I was trying to see.</p> <p>13 Q. The attachments to the e-mail string include</p> <p>14 marked-up language of lease language?</p> <p>15 A. Correct.</p> <p>16 Q. Can you tell whose version is -- are the</p> <p>17 additions and whose version are the deletions in this</p> <p>18 marked-up version?</p> <p>19 A. No, it's hard to -- I think -- I think this --</p> <p>20 I'm not certain to classify with this, but I -- I -- it</p> <p>21 appears that this is an proposed amendment coming from</p> <p>22 JP Morgan to Hunt.</p> <p>23 Q. Okay. And if you go a little bit further back in</p> <p>24 the body of the amendment that starts on the page that's</p> <p>25 numbered 108463-1; you see that?</p>

25 (Pages 94 to 97)

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<p>1 A. Uh-huh.</p> <p>2 Q. I wanted to turn your attention to the third page</p> <p>3 of that attachment.</p> <p>4 A. Okay.</p> <p>5 Q. You see in item three it says in the last</p> <p>6 sentence of Paragraph 5I as amended on October 27, 2010.</p> <p>7 Is --</p> <p>8 A. I'm sorry, tell me again where we're reading</p> <p>9 here.</p> <p>10 Q. Let me -- let's go to the third page of a</p> <p>11 document that says, Amendment Oil and Gas Leases and</p> <p>12 it's at the top of the page and it's paragraph three.</p> <p>13 A. Okay.</p> <p>14 Q. And that paragraph it looks like has an insertion</p> <p>15 that would delete and replace paragraph 5I and the</p> <p>16 insertion provides a limitation on a certain time frame,</p> <p>17 right?</p> <p>18 A. Correct.</p> <p>19 Q. And the -- the limitation on the time frame is</p> <p>20 that the operator has to finish the fracking and</p> <p>21 completion operations no later than 90 days after the</p> <p>22 drilling rig is removed. Is that a fair statement for</p> <p>23 what that means?</p> <p>24 A. Yes. The -- right. Once a drilling rig is</p> <p>25 removed, it stipulates that within a 90-day period we</p>	<p>1 Q. Did Mr. Guzick also attend NAPE?</p> <p>2 A. Yes.</p> <p>3 Q. And how about Mr. Burkhardt?</p> <p>4 A. I believe so.</p> <p>5 Q. The -- the subject of the e-mail was STS lease</p> <p>6 amendments, extension of primary term, continuous</p> <p>7 development and retained acreage. Those were the three</p> <p>8 big issues for Hunt Oil for these amendments, weren't</p> <p>9 they?</p> <p>10 A. Yes.</p> <p>11 Q. Now, by the time this version of the lease</p> <p>12 amendment had been circulated, that is, on Friday,</p> <p>13 August 17, 2012, had JP Morgan, its trustee, and Hunt</p> <p>14 Oil, its lessee, come to an agreement on what, if any,</p> <p>15 bonus payments would be paid for these amendments?</p> <p>16 A. I believe so.</p> <p>17 Q. And what was the bonus payment at that point in</p> <p>18 time; do you remember?</p> <p>19 A. And when you say bonus payment, you mean</p> <p>20 compensation in exchange for an executed amendment?</p> <p>21 Q. Yes.</p> <p>22 A. It was over \$3 million.</p> <p>23 Q. Do you remember the per acre?</p> <p>24 A. I don't. I --</p> <p>25 MR. BEITER: Objection; form.</p>
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<p>1 would commence fracturing operations.</p> <p>2 Q. Okay. And do you know whether or not that ended</p> <p>3 up in the actual amendment?</p> <p>4 A. It did but it was revised to 120 days, if I</p> <p>5 remember correctly.</p> <p>6 Q. Okay. And going back to the e-mails here -- no,</p> <p>7 actually, I don't have any questions on the e-mail.</p> <p>8 (Exhibit Number 838 marked.)</p> <p>9 Q. (BY MR. FLEGLE) About a week later it looks like</p> <p>10 there was a series of response -- e-mail from Curtis</p> <p>11 Riddle and I'll show you Exhibit 838. It's an August 17</p> <p>12 e-mail from Mr. Riddle. You were copied on this e-mail?</p> <p>13 A. Correct.</p> <p>14 Q. And who is Curtis Riddle?</p> <p>15 A. Curtis Riddle is an in-house counsel for Hunt Oil</p> <p>16 Company, and if I remember correctly the reason he was</p> <p>17 sending these e-mails and I was -- instead of me and why</p> <p>18 I was CC'd is because this is the week of the NAPE</p> <p>19 conference in Houston.</p> <p>20 Q. And you attend?</p> <p>21 A. And we attend the NAPE conference and Curtis was</p> <p>22 here and Curtis was a part of the process of reviewing</p> <p>23 these proposed amendments and advising Hunt on the</p> <p>24 proposed amendments and so he was making communications</p> <p>25 with those at JP Morgan and Peter Hosey.</p>	<p>1 A. I don't recall how that number came to be</p> <p>2 calculated or what it was based off of. I just...</p> <p>3 Q. (BY MR. FLEGLE) Do you remember who proposed the</p> <p>4 payment number that was ultimately made?</p> <p>5 A. Well, had Hunt proposed it, it would've been a</p> <p>6 lot less than \$3 million, but JP Morgan proposed a</p> <p>7 number and I'm sure we counterproposed and it was</p> <p>8 somehow or another settled on the number that it came</p> <p>9 to, but...</p> <p>10 Q. Do you remember what the first number was that JP</p> <p>11 Morgan proposed?</p> <p>12 A. I don't.</p> <p>13 Q. Now, around this time there was a little bit of a</p> <p>14 back-and-forth about retained acreage amounts; do you</p> <p>15 remember that?</p> <p>16 A. I do.</p> <p>17 (Exhibit Number 839 marked.)</p> <p>18 Q. (BY MR. FLEGLE) I'm going to show you</p> <p>19 Exhibit 839. It's a series of e-mails. I marked the</p> <p>20 wrong one but it's all right with me. Series of e-mails</p> <p>21 including you and Peter Hosey and Mr. Tompkins. It</p> <p>22 looks like all on August 21 and -- and Mr. Hosey at</p> <p>23 Jackson Walker writes to you at the top at 3:49 p.m. on</p> <p>24 Tuesday, August 21. "Bill, if he said 440, it can be</p> <p>25 changed. I will follow up with H.L. He will be calling</p>

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<p>1 me about the 1391 3H anyway." What was the deal about</p> <p>2 the 440? What did that relate to and why was that an</p> <p>3 issue?</p> <p>4 A. It was part of the retained acreage amendment our</p> <p>5 proposed amendment included that Hunt Oil Company would</p> <p>6 be able to retain the amount of acreage around a given</p> <p>7 well as was permitted by the field rules of the Railroad</p> <p>8 Commission. So the amount of acreage that you can</p> <p>9 retain around a given well is determined by the length</p> <p>10 of a given lateral from first take point to last take</p> <p>11 point, and the longer that well is, the more acreage you</p> <p>12 can retain as permitted by the Railroad Commission.</p> <p>13 That's what our proposal was and JP Morgan and Mr. Hosey</p> <p>14 proposed that we could use the Railroad Commission</p> <p>15 rules, hold as much acreage as the lateral will allow.</p> <p>16 But in no event could we hold more than 360 around any</p> <p>17 well. So in theory we would be drilling a well long</p> <p>18 enough to hold, for example, 500 acres, but per our</p> <p>19 lease amendment we would still be restricted to 360 at</p> <p>20 that point. However, up until that point before the</p> <p>21 amendment we had drilled several wells or more than one</p> <p>22 well that per the Railroad Commission rules would've</p> <p>23 held, for example, 420 or in this case 440, and we were</p> <p>24 okay with the cap on 360 moving forward, but what we had</p> <p>25 wanted was the wells that we had already drilled to be</p>	<p>1 Q. Sure. Let's just take the -- the well that we</p> <p>2 were just talking about a minute ago. Under the</p> <p>3 Railroad Commission rules I believe you were saying that</p> <p>4 well could retain 440 acres, fair?</p> <p>5 A. Correct. Yeah, fair.</p> <p>6 Q. I think my English -- I hope my English is right.</p> <p>7 A. Yeah, that's fair.</p> <p>8 Q. But Hunt Oil and JP Morgan could contractually</p> <p>9 determine that that horizontal well would only retain</p> <p>10 360 acres?</p> <p>11 A. Correct.</p> <p>12 Q. And the Railroad Commission's not going to</p> <p>13 complain about that?</p> <p>14 A. No.</p> <p>15 Q. Now, if the rules says that lateral can contain</p> <p>16 440 acres and you by contract go to 600 acres, is that</p> <p>17 still allowable under your understanding?</p> <p>18 A. Yes.</p> <p>19 Q. Okay.</p> <p>20 A. So if -- in essence a lease can override what the</p> <p>21 Railroad Commission rules are if both parties agree to</p> <p>22 that.</p> <p>23 (Exhibit Number 58F referenced.)</p> <p>24 Q. (BY MR. FLEGLE) Okay. All right. The -- all</p> <p>25 the work that we've talking about here resulted in some</p>
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<p>1 able to retain the amount of acreage just as the field</p> <p>2 rules had read with no cap at 360. So this particular</p> <p>3 e-mail references a conversation that we had agreed that</p> <p>4 the wells we had drilled up to that point. In this case</p> <p>5 the STS 5H was long enough to retain 440 acres and we</p> <p>6 wanted to be able to obtain that 440 but any well going</p> <p>7 forward would be capped at 360. So that's what my</p> <p>8 e-mail said and then Mr. Hosey replied that if -- if</p> <p>9 H.L. said 440 and that was okay, then I'll discuss that</p> <p>10 with him.</p> <p>11 Q. Okay. And from a sample of looking at the</p> <p>12 Railroad Commission rules as you understand them</p> <p>13 applying here, those rules set a maximum that can be</p> <p>14 retained, right?</p> <p>15 MR. DAVIDSON: Objection; form.</p> <p>16 MR. BEITER: Yeah, if that's done, then</p> <p>17 objection; form here.</p> <p>18 Q. (BY MR. FLEGLE) Well, let me ask you this way.</p> <p>19 A. Okay.</p> <p>20 Q. No matter what the Railroad Commission rules</p> <p>21 allow parties can contract in the lease to provide for</p> <p>22 less than the Railroad Commission rules allow to be</p> <p>23 retained when a well is completed, right?</p> <p>24 A. Is your question -- can you -- would you mind</p> <p>25 rephrasing that?</p>	<p>1 amendments and I just need to make sure that I've got</p> <p>2 them identified right. I'm going to show you</p> <p>3 Exhibit 58F, which is an amendment. Let me see, before</p> <p>4 I go any further, let me just make sure I know what I'm</p> <p>5 talking about. The lease that this applies to I know</p> <p>6 them by acreage.</p> <p>7 A. Yeah.</p> <p>8 Q. So the Exhibit A to this Document 58F applies to</p> <p>9 the 683-acre lease and the 2,371-acre lease; does it</p> <p>10 not?</p> <p>11 A. That's correct.</p> <p>12 Q. And this is one of the amendments that all of</p> <p>13 these e-mails were flying about in 2012?</p> <p>14 A. Correct.</p> <p>15 (Exhibit Number 60C referenced.)</p> <p>16 Q. (BY MR. FLEGLE) And then Exhibit 60C -- let me</p> <p>17 show you that to you -- is another amendment and this</p> <p>18 one applies to the 4,224-acre lease, correct?</p> <p>19 A. Correct.</p> <p>20 Q. And it, again, is an amendment on August 24, 2012</p> <p>21 that we've been talking about; is that right?</p> <p>22 A. Correct.</p> <p>23 (Exhibit Number 62B referenced.)</p> <p>24 Q. (BY MR. FLEGLE) And let me show you Exhibit 62B</p> <p>25 and have you identify Exhibit 62B as the amendment to</p>

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<p style="text-align: right;">Page 106</p> <p>1 the lease that involves 3,094 acres.</p> <p>2 A. That's correct.</p> <p>3 Q. And all three of these amendments relate to the</p> <p>4 leases that Hunt Oil had an interest in in the South</p> <p>5 Texas Syndicate mineral interest?</p> <p>6 A. That's correct.</p> <p>7 Q. Now, I notice in these amendments in the whereas</p> <p>8 clauses I believe there's a mention -- I thought I just</p> <p>9 saw -- yeah, there's a mention in here of Murphy</p> <p>10 expiration and production. So by -- at least by August</p> <p>11 of 2012, Murphy had stepped in for the Bass companies?</p> <p>12 A. That's correct.</p> <p>13 Q. There is a report or -- yeah, a report that was</p> <p>14 put together by Lazard that involved the South Texas</p> <p>15 Syndicate the year after these amendments. It was</p> <p>16 finalized, I guess is the right word, in April of 2013.</p> <p>17 Have you ever been given a copy of the Lazard report?</p> <p>18 A. No, sir.</p> <p>19 Q. Or -- and just to make sure, did you ever talk to</p> <p>20 anybody at Lazard or Jackson Walker about the Hunt Oil</p> <p>21 lease interest in the South Texas Syndicate mineral</p> <p>22 estate for purposes of a Lazard report?</p> <p>23 A. No, sir.</p> <p>24 Q. Or for accuracy of what Lazard said about Hunt</p> <p>25 Oil?</p>	<p style="text-align: right;">Page 108</p> <p>1 Q. How long have you worked as a landman?</p> <p>2 A. Ten years or more.</p> <p>3 Q. And with whom did you work before Hunt?</p> <p>4 A. I was an independent for the most part working</p> <p>5 for different -- as a contractor for different</p> <p>6 companies.</p> <p>7 Q. All right. And these different companies that</p> <p>8 you worked with, did you do things similar for them that</p> <p>9 you've done since you've been a landman at Hunt?</p> <p>10 A. Yes. Leasing, working with landowners, working</p> <p>11 with companies, similar job duties just more advanced at</p> <p>12 Hunt than prior.</p> <p>13 Q. So during that period have you negotiated a lot</p> <p>14 of leases?</p> <p>15 A. Yes, sir.</p> <p>16 Q. How about lease amendments?</p> <p>17 A. Yes, sir.</p> <p>18 Q. Have you negotiated with a lot of people, oil and</p> <p>19 gas industry people with a lot of experience?</p> <p>20 A. Yes, sir.</p> <p>21 Q. Has it been your experience that different people</p> <p>22 have different negotiating styles?</p> <p>23 A. Yes, sir.</p> <p>24 Q. Some people are very open in negotiations and</p> <p>25 others less so?</p>
<p style="text-align: right;">Page 107</p> <p>1 A. No, sir.</p> <p>2 MR. FLEGLE: Pass the witness. Thank you</p> <p>3 for your time by the way.</p> <p>4 THE WITNESS: Thank you.</p> <p>5 EXAMINATION</p> <p>6 BY MR. BEITER:</p> <p>7 Q. Mr. Osborn --</p> <p>8 A. Yes, sir.</p> <p>9 Q. -- I introduced myself earlier, but, once again,</p> <p>10 my name is Kevin Beiter. I'm an attorney from San</p> <p>11 Antonio, Texas, representing JP Morgan in this case. We</p> <p>12 started off with a brief introduction of your time since</p> <p>13 you've been with Hunt Oil Company. Can you tell me</p> <p>14 something about your yourself? Where did you grow up?</p> <p>15 A. For the most part in Denver, Colorado, and then</p> <p>16 moved here soon after I graduated from high school.</p> <p>17 Q. Where did you go to college?</p> <p>18 A. University of North Texas.</p> <p>19 Q. What did you major in at University of North</p> <p>20 Texas?</p> <p>21 A. Received a Bachelor's Degree in Arts and Applied</p> <p>22 Sciences.</p> <p>23 Q. Have you always worked as a landman since</p> <p>24 graduating college?</p> <p>25 A. No. I've had other jobs, sales jobs.</p>	<p style="text-align: right;">Page 109</p> <p>1 A. That's true.</p> <p>2 Q. Have you ever been involved in negotiations with</p> <p>3 a company where you felt like you were becoming</p> <p>4 frustrated with a negotiation process other than what</p> <p>5 you related --</p> <p>6 A. Yes.</p> <p>7 Q. -- regarding to JP Morgan?</p> <p>8 A. Yes.</p> <p>9 Q. And negotiations can be frustrating, can't they?</p> <p>10 A. They can.</p> <p>11 Q. Have you ever run into somebody before that --</p> <p>12 that slow plays negotiations?</p> <p>13 A. Yes.</p> <p>14 Q. And is it your experience that some people do</p> <p>15 that for the purpose of securing their terms?</p> <p>16 A. Yes.</p> <p>17 Q. In terms of the negotiations you had, were all of</p> <p>18 them with -- with H.L. Tompkins at least as a point</p> <p>19 person?</p> <p>20 A. As it pertains to the South Texas Syndicate</p> <p>21 leases, yes.</p> <p>22 Q. Oh, pardon me. That wasn't clear, yes, sir.</p> <p>23 A. Yes.</p> <p>24 Q. Did Mr. Tompkins seem knowledgeable regarding the</p> <p>25 asset he was trying to lease?</p>

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<p>1 A. Yes.</p> <p>2 MR. FLEGLE: Objection; form.</p> <p>3 Q. (BY MR. BEITER) Did -- did he seem to be</p> <p>4 experienced in -- in terms of the -- the business he was</p> <p>5 in?</p> <p>6 A. Yes.</p> <p>7 Q. Did you find him to be competent?</p> <p>8 A. Yes.</p> <p>9 Q. Was he ever discourteous to you?</p> <p>10 A. Never discourteous.</p> <p>11 Q. Were you able to speak with him when you were in</p> <p>12 negotiations person to person without animosity?</p> <p>13 A. Yes. I would say that we have a amicable working</p> <p>14 relationship.</p> <p>15 Q. Now, when you're negotiating on behalf of -- and</p> <p>16 let's focus on Hunt Oil Company -- let me back up once</p> <p>17 again. Have you always worked, when you were an</p> <p>18 independent, did you work for the -- the mineral lessee,</p> <p>19 the operator side of things?</p> <p>20 A. Yes.</p> <p>21 Q. Did you ever represent the landowner side of the</p> <p>22 transactions?</p> <p>23 A. No, sir.</p> <p>24 Q. But is it correct to say that landowners who own</p> <p>25 minerals have interests that are different from those of</p>	<p>1 A. I would say that Hunt Oil Company puts high</p> <p>2 priority on being as cooperative and as courteous to</p> <p>3 surface owners as we can, but yet still doing what's in</p> <p>4 -- in Hunt's best interest to best develop or explore or</p> <p>5 produce for oil and gas.</p> <p>6 Q. In -- in your experience, is it beneficial to</p> <p>7 mineral development to maintain good relations with the</p> <p>8 surface owner?</p> <p>9 A. Yes, in a lot of respects it is very beneficial.</p> <p>10 Q. Have you ever seen a situation where mineral</p> <p>11 development was hurt or badly impacted because of</p> <p>12 conflicts with surface owners?</p> <p>13 A. I -- can you repeat that question one more time?</p> <p>14 Q. Sure. Have you ever seen a situation in your</p> <p>15 experience, where for instance, a well you wanted to</p> <p>16 drill was delayed or impacted because of a dispute with</p> <p>17 a surface owner?</p> <p>18 A. I can't remember a specific instance where a well</p> <p>19 has been delayed due to a conflict with the surface</p> <p>20 owner.</p> <p>21 Q. What about a situation where an easement can't be</p> <p>22 placed where you want it because of a conflict?</p> <p>23 A. Yes, I have seen that fairly frequently.</p> <p>24 Q. And does that impact at least Hunt's options</p> <p>25 regarding operating the way that it wants to operate in</p>
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<p>1 the mineral lessee?</p> <p>2 A. I would say that's true in certain aspects, yes.</p> <p>3 Q. Sometimes their interests conflict and sometimes</p> <p>4 they align; is that right?</p> <p>5 A. That's correct.</p> <p>6 Q. In terms of -- in this case, you're aware that</p> <p>7 the minerals that STS were in, the STS group, they were</p> <p>8 minerals and -- and did not include surface?</p> <p>9 A. That's correct, I do understand that.</p> <p>10 Q. And -- and so once again, to throw in one other</p> <p>11 set of interests, is it correct that at some times the</p> <p>12 surface owner has interests that are in opposition both</p> <p>13 to the mineral owner and to the mineral lessee?</p> <p>14 A. Yes.</p> <p>15 Q. For instance, there was a little talk about</p> <p>16 easements earlier.</p> <p>17 A. Correct.</p> <p>18 Q. Are -- are you familiar with negotiating the</p> <p>19 terms of easements with service owners?</p> <p>20 A. Yes, sir.</p> <p>21 Q. Does Hunt have a policy regarding relations with</p> <p>22 surface owners?</p> <p>23 A. I'm not sure we have a policy. We have a mission</p> <p>24 statement, per se.</p> <p>25 Q. And -- and what is that mission statement?</p>	<p>1 a given area?</p> <p>2 A. It can have an impact.</p> <p>3 Q. Are you a member of any professional landman</p> <p>4 organizations?</p> <p>5 A. The Dallas Association, Petroleum Landman and the</p> <p>6 American Association Petroleum Landman.</p> <p>7 Q. Are you a certified petroleum landman?</p> <p>8 A. No, registered.</p> <p>9 Q. Registered. And can you explain for the jury</p> <p>10 what -- what is involved in the registration process and</p> <p>11 a little bit about those two organizations?</p> <p>12 A. The APL is a national organization that landmen</p> <p>13 all over the country generally choose to -- it's a</p> <p>14 voluntary organization. But there are classes, there</p> <p>15 are networking events. And the Dallas Association of</p> <p>16 petroleum landman is similar. There is networking</p> <p>17 events, educational events. It's just an industry</p> <p>18 organization.</p> <p>19 Q. Are you familiar with a APL code of conduct</p> <p>20 for --</p> <p>21 A. I am.</p> <p>22 Q. -- landman?</p> <p>23 A. I am.</p> <p>24 Q. And is it from your perspective something you try</p> <p>25 to conform to?</p>

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<p>1 A. I do.</p> <p>2 Q. And looking at the negotiations in this process I</p> <p>3 know there's been some indication perhaps that</p> <p>4 Mr. Tompkins was not as responsive as you'd like for him</p> <p>5 to be. Were all of the negotiations handled in an</p> <p>6 ethical way in your experience?</p> <p>7 A. Absolutely.</p> <p>8 Q. Now, there was some discussion of amendments to</p> <p>9 extend the primary terms of the leases in 2012. All</p> <p>10 right. We just went through the four amendments that</p> <p>11 ultimately ended up amending those leases. You</p> <p>12 indicated when you were asked about the amount of money</p> <p>13 that was paid that the amount was something north of</p> <p>14 \$3 million. Did I understand that correctly?</p> <p>15 A. Yes, sir.</p> <p>16 Q. And you also made the comment that had Hunt been</p> <p>17 able to pursue its preferences, it would have been less</p> <p>18 than \$3 million?</p> <p>19 A. Yes, significantly less.</p> <p>20 Q. Could -- could you explain to me why you think</p> <p>21 that?</p> <p>22 A. Well, just Hunt Oil Company would've -- from an</p> <p>23 economic standpoint been preferred to pay less money and</p> <p>24 we -- I'm sure at some juncture proposed to pay less</p> <p>25 money. We -- we did not have -- we did not disagree</p>	<p>1 considerations that go back and forth other than just</p> <p>2 bonus money, aren't there?</p> <p>3 A. Yes.</p> <p>4 Q. For instance, there's a royalty?</p> <p>5 A. Uh-huh.</p> <p>6 Q. One of the considerations that goes both ways is</p> <p>7 the retained acreage provision?</p> <p>8 A. Correct.</p> <p>9 Q. A more literal retained acreage provision is a</p> <p>10 consideration the oil company negotiates for a stricter</p> <p>11 retained acreage provision or one that the landowner or</p> <p>12 lessor negotiates for, isn't it?</p> <p>13 A. Correct.</p> <p>14 Q. And those things have values to both parties,</p> <p>15 correct?</p> <p>16 A. Correct.</p> <p>17 Q. And is it correct to say that what you try to</p> <p>18 strike as a balance that -- where both parties get as</p> <p>19 close as they want as possible?</p> <p>20 A. Right. I'd say that in most cases you attempt to</p> <p>21 reach an agreement that's mutually beneficial to both</p> <p>22 parties.</p> <p>23 Q. In the case of the lease amendments that were</p> <p>24 done in 2012, the four that were referenced, is it your</p> <p>25 opinion that they ultimately achieved the goals of both</p>
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<p>1 with the concept of compensating JP Morgan for certain</p> <p>2 aspects of the lease amendment, but as always we -- we</p> <p>3 try to acquire those things for as few amount of dollars</p> <p>4 as reasonably possible.</p> <p>5 Q. Sure. And that's one of those places where the</p> <p>6 interest of the mineral owner and the interest of the</p> <p>7 mineral lessee are somewhat different; is that right?</p> <p>8 A. The difference between the -- the lessor and the</p> <p>9 lessee?</p> <p>10 Q. Yes.</p> <p>11 A. Yes, I would agree.</p> <p>12 Q. They obviously want you to pay more you and you</p> <p>13 obviously want to pay less?</p> <p>14 A. That's accurate.</p> <p>15 Q. Did you feel like the amount negotiated was</p> <p>16 highly favorable to JP Morgan than its beneficiaries?</p> <p>17 A. I -- I would say so, yeah.</p> <p>18 Q. And in terms of the amendments -- when you</p> <p>19 negotiated for an amendment or for a lease and you talk</p> <p>20 about the considerations, there are considerations other</p> <p>21 than just money being paid, aren't there?</p> <p>22 A. If you wouldn't mind rephrasing that one. I'm</p> <p>23 not sure I understand the --</p> <p>24 Q. Sure. Let me just give you an example. Under an</p> <p>25 oil and gas lease when someone leases to Hunt, there are</p>	<p>1 parties?</p> <p>2 A. I would. If you look at the amendments that</p> <p>3 we're discussing from 2012, those amendments actually</p> <p>4 gave Hunt Oil Company some advantages, some flexibility</p> <p>5 and then opportunity to better develop the minerals, but</p> <p>6 it also as part of that amendment, you know, up until</p> <p>7 that time we could retain from the surface down to a</p> <p>8 hundred feet below the base of the Eagle Ford. But that</p> <p>9 amendment changed that to where we could only retain</p> <p>10 50 feet above and 50 feet below, so that was a favorable</p> <p>11 provision for JP Morgan and STS for that amendment.</p> <p>12 Furthermore, also part of that amendment if you recall</p> <p>13 the previous amendment when we asserted that a well was</p> <p>14 completed after the fracturing equipment was removed as</p> <p>15 part of that 2012 amendment, there was the time frame</p> <p>16 added to that which wasn't there before. So we got some</p> <p>17 more time to analyze our data to hopefully improve well</p> <p>18 performance. We were able to some degree get the</p> <p>19 retained acreage we were hoping for although it wasn't</p> <p>20 -- it was a cap on it which wasn't part of our initial</p> <p>21 proposal. In exchange JP Morgan and the South Texas</p> <p>22 Syndicate received a more favorable Pugh Clause and a</p> <p>23 defined time frame as -- that -- that -- where Hunt Oil</p> <p>24 Company as the operator had to commence fracturing</p> <p>25 operations.</p>

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<p>1 Q. In your experience are there situations where --</p> <p>2 A. And the \$3 million.</p> <p>3 Q. Let's not forget the \$3 million certainly. In</p> <p>4 your experience, are there situations in which giving</p> <p>5 the operator greater operational flexibility by amending</p> <p>6 the lease retained acreage provisions actually serves</p> <p>7 the benefits of efficient development of the minerals?</p> <p>8 A. I would agree with that.</p> <p>9 Q. And -- and is it your sense that that goal was</p> <p>10 being furthered by the amendments that JP Morgan</p> <p>11 negotiated with Hunt in 2012?</p> <p>12 A. Yes, I would agree with that.</p> <p>13 MR. BEITER: I just got a note from the</p> <p>14 reporter [sic] that we're down to five minutes so why</p> <p>15 don't we take a break at this point while we change</p> <p>16 tapes and we'll pick back up --</p> <p>17 THE WITNESS: Okay.</p> <p>18 MR. BEITER: -- after a short break.</p> <p>19 THE VIDEOGRAPHER: Off the record at</p> <p>20 2:18 p.m.</p> <p>21 (Break taken from 2:18 p.m. to 2:28 p.m.)</p> <p>22 THE VIDEOGRAPHER: Back on the record at</p> <p>23 2:28 p.m.</p> <p>24 Q. (BY MR. BEITER) All right, sir. Let me ask you</p> <p>25 about a couple of documents that were --</p>	<p>1 it is apparent that most if not all of the wells will</p> <p>2 not reach payout. Do you have an understanding that's</p> <p>3 inconsistent with that?</p> <p>4 MR. FLEGLE: Objection; form.</p> <p>5 A. I can't -- I can't -- I couldn't really comment</p> <p>6 on the economics of it as it refers to payout.</p> <p>7 Q. (BY MR. BEITER) At the time that JP Morgan was</p> <p>8 negotiating with Hunt for an extension of the leases in</p> <p>9 2012, Hunt had options other than paying money for a</p> <p>10 lease extension, didn't it?</p> <p>11 A. Sure. We could've just continued to drill wells.</p> <p>12 Q. Right. So had the banks said, no, we're not</p> <p>13 going to agree to these extensions or any amendments,</p> <p>14 Hunt could've simply said, okay, we'll stand on our</p> <p>15 rights and proceed or drop the leases as we see fit?</p> <p>16 A. That's correct.</p> <p>17 Q. There was time on primary terms so you could make</p> <p>18 a mid course correction, correct?</p> <p>19 MR. FLEGLE: Objection; form.</p> <p>20 A. We -- we could have. Yes, we could have. We had</p> <p>21 options. We could have either dropped the leases or we</p> <p>22 could have continued to drill, but if you -- if you</p> <p>23 notice in the wells that we've drilled that that</p> <p>24 extension actually I think benefitted everyone involved.</p> <p>25 We changed the azimuth of our wells due to that</p>
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<p>1 A. Sure.</p> <p>2 Q. -- previously given to you. And the one I want</p> <p>3 to ask you about is a document dated May 8th, 2012. It</p> <p>4 was previously marked as Exhibit 401 and it was a letter</p> <p>5 from Masters Consulting to H.L. Tompkins. You were</p> <p>6 asked some questions about that. Mr. Masters says in</p> <p>7 this letter in 2012 that up to the point of this letter,</p> <p>8 Hunt's results in the wells that it had drilled had not</p> <p>9 been very good. Is -- is that consistent with your</p> <p>10 understanding?</p> <p>11 MR. FLEGLE: Objection; form.</p> <p>12 A. My understanding was that up to that point, yes,</p> <p>13 we weren't satisfied with the economics of the wells we</p> <p>14 had drilled up to that point which is what promoted us</p> <p>15 to conduct the microseismic testing and all of the other</p> <p>16 things that Mr. Masters reviewed.</p> <p>17 Q. (BY MR. BEITER) He also makes the comment that</p> <p>18 up to that point Hunt had spent a lot of money on its</p> <p>19 evaluation of the STS acreage?</p> <p>20 A. That's correct.</p> <p>21 Q. And would he be correct in that connection?</p> <p>22 A. I can make that assumption although I'm not privy</p> <p>23 to what the exact cost, you know, or the total amount of</p> <p>24 money that Hunt had spent for those things.</p> <p>25 Q. He -- he -- he comes to a final conclusion that</p>	<p>1 extension. And since that time that change of azimuth</p> <p>2 which was due to in large part the microseismic testing</p> <p>3 that we referred to earlier that Mr. Masters reviewed,</p> <p>4 we changed the actual -- slightly changed the azimuth of</p> <p>5 the well, changed our frac technique and since that</p> <p>6 point our wells have been much better, much more</p> <p>7 economic to my understanding.</p> <p>8 Q. In your view, is that one of those situations</p> <p>9 where lease accommodation to the mineral lessee has</p> <p>10 resulted in benefits to the mineral owner?</p> <p>11 A. I would say that it resulted in benefits for the</p> <p>12 lessor and the lessee. It's helped us drill better</p> <p>13 wells which in terms benefits the lessor.</p> <p>14 Q. And in your experience, would that improvement</p> <p>15 likely result in more wells being drilled than if you</p> <p>16 had not experienced that improvement?</p> <p>17 A. I would say that is a very accurate statement.</p> <p>18 Q. Do you have any opinion based on your experience</p> <p>19 as to, let's say, that the bank had said no on these</p> <p>20 amendments and Hunt had released the well -- the leases</p> <p>21 after drilling a number of uneconomic wells. Do you</p> <p>22 have a sense of how the oil and gas industry generally</p> <p>23 looks at a property in that situation?</p> <p>24 MR. FLEGLE: Objection; form.</p> <p>25 A. My impression would be that a company that</p>

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<p>1 would've -- had we dropped the leases any company that 2 would've come in afterwards would've probably looked at 3 the well performance up to that point, and I think it's 4 safe to assume that they would not have been as excited 5 about that acreage as they would've been other Eagle 6 Ford acreage in the -- in the trend. 7 Q. (BY MR. BEITER) In other words, not allowing 8 Hunt time to improve its performance by incorporating 9 new data would've hurt the value of the minerals? 10 MR. FLEGLE: Objection; form. 11 A. I can't say that. I don't -- you know, I think 12 it's -- I think it helped Hunt and I think it helped the 13 lessor at that time and what would've happened in the 14 future, you know, I can't really speak to, but I think 15 at that time it was beneficial to all parties involved. 16 Q. (BY MR. BEITER) Now, you weren't involved at the 17 time of the 2010 amendments, were you? 18 A. Yes. 19 Q. You were or were not? 20 A. 2010 -- 21 Q. Yes. 22 A. -- amendments, yes, I was. 23 Q. Okay. One of the issues there was the permits or 24 prescribes language in the retained acreage provision. 25 Do you know what I'm talking about?</p>	<p>1 Q. Okay. What about -- are you -- are you aware of 2 component to those rules that ties allowable production 3 to the number of acres you have associated with the 4 well? 5 A. Yeah. 6 Q. And what is that relationship? 7 A. Without the field rules right in front of me, but 8 there's a calculation involved that and -- and, you 9 know, I have the field rules on my desk and I look at 10 them regularly, but I can't spit them out verbatim right 11 now. 12 Q. Sure. But in general, is it correct to say that 13 if you have more acreage allocated to a well you have a 14 higher allowable as well? 15 A. Yes, that's fair to say. 16 Q. So again, allocating larger acreage to the well 17 has the additional benefit of assigning a higher 18 allowable production rate to that well? 19 A. That's correct. 20 Q. And again, that would be one of those situations 21 where it would be beneficial both to the royalty owner 22 and to the lessee to allocate more acreage to a well; 23 isn't that right? 24 MR. FLEGLE: Objection; form. 25 A. I think you could say that.</p>
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<p>1 A. I do. 2 Q. And -- and would you describe for me your 3 understanding of the issue you were trying to address? 4 A. When a provision reads that a lessee in this case 5 -- let's assume the lessee is Hunt Oil Company has to do 6 with the Railroad Commission prescribes. What's 7 prescribed in -- in this case would've been -- the only 8 thing prescribed would have been to retain the minimum 9 amount what's permitted by the Railroad Commission which 10 is the Rule 86 formula that the -- the amount of acreage 11 you can retain around a given well based on the length 12 of the lateral is what the Railroad Commission would 13 have permitted not prescribed. 14 Q. Are you -- do you have a detailed understanding 15 of the field rules applicable to the field in which this 16 STS acreage is located? 17 A. I do. 18 Q. Do you know which field this acreage is located 19 in, which Eagle Ford field? 20 A. The Eagleville, Eagle Ford one. 21 Q. All right. Is there a component in the Eagle 22 Ford field rules for this field that relates to 23 tolerance wells? 24 A. I'm not really familiar with that term: 25 Tolerance wells.</p>	<p>1 Q. (BY MR. BEITER) Now, I think, if I understood 2 your testimony earlier correctly, there was also one of 3 the issues you were trying to the address was being able 4 to have more flexibility where you located wells 5 relative to lease lines, and in particular, let me -- 6 let me focus back on the lease amendment where you took 7 acreage that was under one lease and assigned it to a 8 different lease? 9 A. That's correct. 10 Q. All right. And you're aware that there are field 11 rules requirements regarding -- statewide and field 12 rules requirements regarding the location of wells 13 relative to lease lines, correct? 14 A. That's correct. 15 Q. And if you have different leases without the 16 ability to pool those leases, do the spacing 17 requirements of wells to lease lines limit where you can 18 put those wells? 19 A. Yes. 20 Q. Now, if -- for instance, rather than having four 21 leases that in the aggregate covered -- what are we 22 at -- 23 A. Over 10,000 -- 24 Q. Over 10,000 acres. If you had a single well -- 25 single lease that covered 10,000 acres, in other words,</p>

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<p>1 it had just been a single lease, no lease lines, would 2 that have given Hunt better flexibility regarding where 3 it could locate wells? 4 A. Yes. 5 Q. Would that have given Hunt better flexibility 6 with the setting up its development patterns without 7 being concerned with lease lines? 8 A. With no -- with no pooling provision, yes, that's 9 true, but -- go ahead. I'm sorry. 10 Q. The consents to assign that were required, why 11 were you required to get consents to the assignments, 12 for instance, to Marubeni from JP Morgan? 13 A. It was stipulated in the lease. 14 Q. All right. Now, does -- does the stipulation of 15 the lease require that any assignment entail a consent 16 to assign or only certain assignments? 17 A. I'd have to review that, but I believe it's any 18 assignment. 19 Q. Okay. When you request assignments be consented 20 to, did the bank -- did -- did they give consent? 21 A. Yes. 22 Q. Did they ever ask for information relative to the 23 assignment before giving consent? 24 A. I don't recall. 25 Q. I want to refer you to a couple of exhibits that</p>	<p>1 third line from the last -- from the end of the first 2 paragraph it says -- it's -- I'm sorry. I picked the 3 wrong spot. Here it is. Let's -- let's look at 4 paragraph two. It says, "Each of these schedules is 5 qualified in its entirety by reference to specific 6 provisions of the agreement and is it not intended to 7 constitute and should not be construed as constituting 8 representations or warranties" and going on. In -- in 9 your experience looking at a purchase and sale agreement 10 in order to understand what "considerations," you know, 11 things that go back and forth that are of value to the 12 parties, you need to take a look at the entire 13 agreement? 14 A. I would say that's accurate. 15 Q. And that would include all of the schedules as 16 well, correct? 17 A. Correct. 18 MR. FLEGLE: Objection; form. 19 Q. (BY MR. BEITER) So let me get you to look at 20 Schedule 3.6 which is Exhibit 829. Now, Exhibit 3 -- or 21 Schedule 3.6 would appear to be numbered between 22 Schedule 1 point -- 1-1 and 1-4, correct? 23 A. Correct. 24 Q. Suggesting that there are a number of schedules 25 that are not included in this package that was marked as</p>
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<p>1 we discussed earlier. It's Exhibit 829 and Exhibit 830. 2 If you could pull those out, please? 3 A. 820 -- I'm sorry, which numbers? 4 Q. 29 and 30. 5 A. There's 828. Okay. 6 Q. Okay. 7 A. Okay. 8 Q. I think some questions were asked in the general 9 understanding of those two documents is that they are 10 associated with the Marubeni transaction with Hunt Oil 11 Company; is that your -- 12 A. You're right. 13 Q. -- understanding as well? 14 A. It's my understanding. 15 Q. Okay. Let's start with Exhibit 830. And it's 16 headed Schedules of Purchase and Sale Agreement. If you 17 would flip over to the first schedule. It's numbered 18 1-1. Then you flip to the next page and it's schedule 19 4-1; do you see that? 20 A. Correct. 21 Q. So there's obviously some schedules that is not 22 included in this package of schedules? 23 A. Correct. 24 Q. All right. Now, if you'll turn back to the first 25 page. The description says -- and I'll start down about</p>	<p>1 Exhibit 830. Would that be fair to say? 2 A. Fair to say. 3 Q. And also I'm not trying to put words in your 4 mouth. Am I correct in assuming that you don't have 5 much in the way of personal knowledge about Schedule 3.6 6 or would I be incorrect? 7 A. That would be correct. This was not negotiated 8 by me or written by me. It's not -- you know, this is 9 just something that I had seen, but I don't really have 10 any background or firsthand knowledge of it. 11 Q. In your experience as a landman, have you ever 12 worked on purchase and sale agreements where you've done 13 a value allocation for acreage? 14 A. Yes. 15 Q. Is it correct in your experience that people do 16 acreage value allocate -- pardon me -- acreage value 17 allocations for different reasons? 18 MR. FLEGLE: Objection; form. 19 A. Yes. 20 Q. (BY MR. BEITER) For instance, a buyer may have 21 one set of reasons and a seller may have another set of 22 reasons; is that fair? 23 A. That's fair. 24 Q. Have you ever seen people do value allocations 25 for purposes of -- for instance, title failures?</p>

33 (Pages 126 to 129)

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<p>1 A. Yes.</p> <p>2 Q. And -- and could you tell me what you've seen in</p> <p>3 that connection in terms of the workings of a purchase</p> <p>4 and sale agreement value allocations for title purposes?</p> <p>5 A. Well, just -- people could -- will assign a</p> <p>6 certain amount of money for certain title defects and,</p> <p>7 you know, if certain title defects are not cured or</p> <p>8 resolved, then that amount of money is either discounted</p> <p>9 off the final purchase price or other considerations.</p> <p>10 Q. So in that instance there is a relationship</p> <p>11 between the -- the value allocation and the amount paid</p> <p>12 for the cash consideration part of the purchase?</p> <p>13 A. Uh-huh.</p> <p>14 MR. FLEGLE: Objection --</p> <p>15 Q. (BY MR. BEITER) Is that right?</p> <p>16 A. That's right.</p> <p>17 MR. FLEGLE: Objection; form.</p> <p>18 Q. (BY MR. BEITER) Are you aware that people do</p> <p>19 allocations for federal tax purposes?</p> <p>20 A. That's not really something that -- I'm sure I'm</p> <p>21 aware of that, but that's not something that I'm</p> <p>22 familiar with.</p> <p>23 Q. All right. Now, are you familiar with Marubeni</p> <p>24 as a company?</p> <p>25 A. Not overly familiar with them as a global</p>	<p>1 and sale agreement, correct?</p> <p>2 A. Correct.</p> <p>3 MR. FLEGLE: Objection; form.</p> <p>4 Q. (BY MR. BEITER) And between that purchase and</p> <p>5 sale agreement and the schedule, should it define what</p> <p>6 the parties were buying and selling and what</p> <p>7 considerations were passing back and forth?</p> <p>8 MR. FLEGLE: Objection; form.</p> <p>9 A. I'm sorry. I lost my concentration. Could you</p> <p>10 repeat the question again?</p> <p>11 Q. (BY MR. BEITER) Sure. If I were going to try to</p> <p>12 determine all the considerations passing back and forth</p> <p>13 between the parties and the substance of the sales</p> <p>14 transaction, would I be able to do that by reference to</p> <p>15 the purchase and sale agreement in all of these</p> <p>16 schedules?</p> <p>17 MR. FLEGLE: Objection; form.</p> <p>18 A. I believe so.</p> <p>19 Q. (BY MR. BEITER) And just looking at Schedule 3</p> <p>20 in isolation, does that also tell me all of the</p> <p>21 considerations passing back and forth between the</p> <p>22 parties?</p> <p>23 A. No, it wouldn't.</p> <p>24 MR. FLEGLE: Objection; form.</p> <p>25 MR. BEITER: Just give me just a moment. I</p>
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<p>1 company, no, but just as a day-to-day operation or</p> <p>2 working with them as a partner I'm familiar.</p> <p>3 Q. Are they an oil and gas operations company?</p> <p>4 A. Not to my knowledge.</p> <p>5 Q. In your experience as a landman, is it correct in</p> <p>6 your experience to say that purchasers and sellers when</p> <p>7 they're buying and participating or selling acreage look</p> <p>8 at the amount being paid in the sale from different</p> <p>9 perspectives?</p> <p>10 A. I would agree with that.</p> <p>11 Q. That's a situation where the buyer wants to pay</p> <p>12 as little as possible and the seller wants to receive as</p> <p>13 much as possible; is that correct?</p> <p>14 A. Generally.</p> <p>15 Q. Do you have any understanding regarding</p> <p>16 Marubeni's evaluation of the value of Hunt's operational</p> <p>17 expertise when it was valuing these properties?</p> <p>18 A. No, I don't. I don't have a -- I don't know what</p> <p>19 Marubeni's thoughts were as Hunt as an operator.</p> <p>20 Q. If we were going to find those thoughts, we would</p> <p>21 do best to look at something that was a statement or</p> <p>22 testimony from Marubeni directly?</p> <p>23 A. I would agree with that.</p> <p>24 Q. Now, I'm assuming that these allocation schedules</p> <p>25 were attached to a -- a much larger document purchase</p>	<p>1 just want to review here.</p> <p>2 Q. (BY MR. BEITER) The discussion earlier we had</p> <p>3 about Mr. Tompkins and your frustration at the pace of</p> <p>4 his responses, do you have any reason to believe that</p> <p>5 that caused any wells not to be drilled?</p> <p>6 A. No.</p> <p>7 Q. Did it resolve to end any lost opportunities</p> <p>8 either for Hunt or for STS based upon your knowledge?</p> <p>9 A. No.</p> <p>10 Q. The deals ultimately got done at least as the</p> <p>11 parties negotiated them?</p> <p>12 A. Ultimately, yes.</p> <p>13 Q. And were the deals in your experience mutually</p> <p>14 beneficial to Hunt and to STS as they were done?</p> <p>15 MR. FLEGLE: Objection; form.</p> <p>16 A. I -- I would say that, yeah, the amendments that</p> <p>17 we created were mutually beneficial and -- and they were</p> <p>18 done not outside the bounds of what's common industry</p> <p>19 standard.</p> <p>20 MR. BEITER: Mr. Osborn, thank you very</p> <p>21 much. Those are all my questions for now.</p> <p>22 MR. FLEGLE: If -- if I might. Just a few</p> <p>23 follow-up questions.</p> <p>24 REEXAMINATION</p> <p>25 BY MR. FLEGLE:</p>


34 (Pages 130 to 133)

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<p>1 Q. You were asked a bunch of questions about the</p> <p>2 purchase and sale agreement with Marubeni Exhibits 829</p> <p>3 and 830. Just so I'm clear, have you ever seen the</p> <p>4 purchase and sale agreement from Marubeni?</p> <p>5 A. I've seen it, but I'll -- I'll be honest I have</p> <p>6 not reviewed the entire agreement with a fine tooth comb</p> <p>7 and it's a very long document. I was not part of the</p> <p>8 negotiation or the construction of it. I have to refer</p> <p>9 to it from time to time and certain provisions of it,</p> <p>10 but if you were asking specific questions about the</p> <p>11 agreement in detail, I'm probably not the best person to</p> <p>12 ask.</p> <p>13 Q. Right. Then the schedules on Exhibit 830 are</p> <p>14 schedules that came from documents produced by JP Morgan</p> <p>15 and the pages on those schedules are sequentially</p> <p>16 numbered from 131009 to 131026. Do you have any idea of</p> <p>17 why these schedules were given to JP Morgan and</p> <p>18 maintained in this fashion?</p> <p>19 A. I don't.</p> <p>20 Q. You were asked some questions while ago about the</p> <p>21 disappointment that Hunt Oil had in its first wells and</p> <p>22 how the azimuth was changed on the wells and other</p> <p>23 things, right?</p> <p>24 A. Correct.</p> <p>25 Q. And as a result of changing the azimuth and</p>	<p>1 Q. (BY MR. FLEGLE) Then I wanted to go back to</p> <p>2 brief questions about the amendments in August of 2012.</p> <p>3 Just so we're on the same page, the four amendments --</p> <p>4 well, the three amendments that we looked at covered all</p> <p>5 four of the leases; did they not?</p> <p>6 A. They did.</p> <p>7 Q. So there was one lease that's got 4,888 acres,</p> <p>8 one lease that's got 3,094 acres, one lease that I</p> <p>9 believe had something in the range of 1700 acres and one</p> <p>10 lease that's in the 683 acres?</p> <p>11 A. Correct.</p> <p>12 Q. Which totals somewhere around 10,000 acres,</p> <p>13 right?</p> <p>14 A. Correct.</p> <p>15 Q. Now, did anybody including Mr. Tompkins talk with</p> <p>16 you about how he pitched these lease amendments to the</p> <p>17 internal lease review committee at JP Morgan for</p> <p>18 approval?</p> <p>19 MR. BEITER: Objection; form.</p> <p>20 A. He was -- he has not made me privy to how he</p> <p>21 presented our proposals to their committee.</p> <p>22 Q. (BY MR. FLEGLE) Do you remember him saying that</p> <p>23 he was going to tell the committee that the proposed</p> <p>24 bonus per acre for these four lease amendments was \$700</p> <p>25 an acre?</p>
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<p>1 looking at microseismic and changing the frac</p> <p>2 techniques, did I hear that the wells that Hunt Oil has</p> <p>3 drilled have been much better?</p> <p>4 A. To my understanding well performance has improved</p> <p>5 since those techniques were introduced.</p> <p>6 Q. And when were those techniques introduced, in</p> <p>7 2012?</p> <p>8 A. Yes.</p> <p>9 Q. And those techniques were being used in early</p> <p>10 2013?</p> <p>11 A. Yes.</p> <p>12 Q. And do you know whether anybody shared with Ryder</p> <p>13 Scott these techniques and these much better results in</p> <p>14 early 2013?</p> <p>15 A. No. I do not know the answer to that.</p> <p>16 Q. Did anybody from JP Morgan, now that we've talked</p> <p>17 about this inquire of Hunt Oil, how are your wells</p> <p>18 doing, have you changed anything, are they doing like</p> <p>19 they did before you changed the azimuth, looked at the</p> <p>20 microseismic and changed the frac techniques?</p> <p>21 MR. BEITER: Objection; form.</p> <p>22 A. Well, JP Morgan receives drilling reports,</p> <p>23 completion reports and they see the design of our wells</p> <p>24 prior to them being drilled as a general rule. So I</p> <p>25 would assume that JP Morgan has that information.</p>	<p>1 MR. BEITER: Objection; form.</p> <p>2 Q. (BY MR. FLEGLE) Do you remember him ever saying</p> <p>3 that to you?</p> <p>4 MR. BEITER: Objection; form.</p> <p>5 A. I don't remember him specifically -- was your</p> <p>6 question did he tell me that he was going to tell the</p> <p>7 committee --</p> <p>8 Q. (BY MR. FLEGLE) Yeah, let me just --</p> <p>9 A. -- that it was \$700 an acre?</p> <p>10 Q. Yeah, let me just get it again. Did -- did he</p> <p>11 tell you at any point in time that he was submitting a</p> <p>12 lease summary form for approval by an internal JP Morgan</p> <p>13 committee with his signature on it that said the</p> <p>14 proposed bonus per acre was \$700 per acre for those four</p> <p>15 amendments?</p> <p>16 MR. BEITER: Objection; form.</p> <p>17 A. No. He did not tell me that.</p> <p>18 Q. (BY MR. FLEGLE) Or did he tell you that he was</p> <p>19 going to tell the committee that the proposed bonus acre</p> <p>20 \$700 number was to be applied on only part of the</p> <p>21 acreage that was the subject of the four amendments?</p> <p>22 MR. BEITER: Objection; form.</p> <p>23 A. He -- he never mentioned what he was proposing to</p> <p>24 his committee as regarding compensation.</p> <p>25 Q. (BY MR. FLEGLE) And you know earlier I mentioned</p>

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<p>1 -- I asked you whether you had been -- or heard anything</p> <p>2 about Lazard, and I believe you never talked to Lazard</p> <p>3 about South Texas Syndicate, right?</p> <p>4 A. That's right.</p> <p>5 Q. Do you remember in the discussions about the</p> <p>6 bonus payments for these amendments in August 2012</p> <p>7 whether or not Mr. Tompkins shared with you that JP</p> <p>8 Morgan had a market study from Lazard and Company which</p> <p>9 talked about bonus terms for leases and had values</p> <p>10 ranging from 1700 to \$5,000 an acre in it?</p> <p>11 MR. BEITER: Objection; form.</p> <p>12 A. No. I don't recall him ever telling me about a</p> <p>13 market value study.</p> <p>14 Q. (BY MR. FLEGLE) A market value study that</p> <p>15 applied as of 2012, no?</p> <p>16 MR. BEITER: Objection; form.</p> <p>17 A. No.</p> <p>18 Q. (BY MR. FLEGLE) And -- and from your view in</p> <p>19 terms of the discussions leading up to the August 2012</p> <p>20 amendments, there was no question in your mind that --</p> <p>21 that JP Morgan and its lawyers at Jackson Walker knew</p> <p>22 that the Marubeni deal had been concluded in early 2012?</p> <p>23 MR. BEITER: Objection; form.</p> <p>24 A. Yeah, they -- I would assume that they would have</p> <p>25 known about the Marubeni deal.</p>	<p>1 A. We -- we had options. We could have dropped the</p> <p>2 leases and not drilled any more wells or we, as I said</p> <p>3 before, could have just without analyzing our data</p> <p>4 drilled wells as we had been drilling them before, which</p> <p>5 in our view, to my understanding, our opinion was that</p> <p>6 they were not as successful as we had hoped.</p> <p>7 MR. BEITER: Thank you, Mr. Osborn.</p> <p>8 THE WITNESS: Thank you.</p> <p>9 MR. FLEGLE: Have a good weekend.</p> <p>10 THE WITNESS: You too.</p> <p>11 THE VIDEOGRAPHER: Off the record at</p> <p>12 3:00 p.m.</p> <p>13 (Deposition concluded at 3:00 p.m.)</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1 MR. FLEGLE: I don't have any further</p> <p>2 questions. Thanks for your time.</p> <p>3 THE WITNESS: Sure.</p> <p>4 MR. BEITER: Sorry, but just one more --</p> <p>5 THE WITNESS: Sure.</p> <p>6 MR. BEITER: -- follow-up.</p> <p>7 REEXAMINATION</p> <p>8 BY MR. BEITER:</p> <p>9 Q. I want to make sure that we're talking about the</p> <p>10 same set of -- of extensions and amendments. In August</p> <p>11 of 2012 when you were working on these extensions, was</p> <p>12 it correct that Hunt had options other than to pay for</p> <p>13 these amendments?</p> <p>14 A. We did have options.</p> <p>15 Q. It could have continued operator -- operating</p> <p>16 under its agreements unamended; is that right?</p> <p>17 A. We could have.</p> <p>18 Q. And in that case it would not have paid JP Morgan</p> <p>19 anything for the amendments, would it?</p> <p>20 A. That's correct.</p> <p>21 Q. There wouldn't have been \$3 million going to the</p> <p>22 trust for the amendments that ultimately resulted in</p> <p>23 your view in Hunt being able to improve the quality of</p> <p>24 its wells?</p> <p>25 MR. FLEGLE: Objection; form.</p>	<p>1 CHANGES AND SIGNATURE</p> <p>2 WITNESS NAME: BILL OSBORN DATE: JANUARY 24, 2014</p> <p>3 PAGE LINE CHANGE REASON</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<p style="text-align: right;">Page 142</p> <p>1 I, BILL OSBORN, have read the foregoing 2 deposition and hereby affix my signature that same is 3 true and correct, except as noted above. 4 5 6 7 BILL OSBORN 8 9 10 THE STATE OF _____ 11 COUNTY OF _____ 12 13 Before me, _____, on this day 14 personally appeared BILL OSBORN, known to me (or proved 15 to me under oath or through _____ 16 (description of identity card or other document) to be 17 the person whose name is subscribed to the foregoing 18 instrument and acknowledged to me that they executed the 19 same for the purposes and consideration therein 20 expressed. 21 Given under my hand and seal of office this 22 _____ day of _____, 23 24 NOTARY PUBLIC IN AND FOR 25 THE STATE OF _____ COMMISSION EXPIRES: _____</p>	<p style="text-align: right;">Page 144</p> <p>1 That pursuant to information given to the 2 Deposition officer at the time said testimony was taken, 3 the following includes counsel for all parties of 4 record: 5 MR. JIM L. FLEGLE, Attorney for Plaintiffs; 6 MR. KEVIN M. BEITER, Attorney for Defendants; 7 (JP MORGAN CHASE BANK) 8 MR. JACOB M. DAVIDSON, Attorney for Witness. 9 10 I further certify that I am neither counsel for, 11 related to, nor employed by any of the parties or 12 attorneys in the action in which this proceeding was 13 taken, and further that I am not financially or 14 otherwise interested in the outcome of the action. 15 Further certification requirements pursuant to Rule 16 203 of TRCP will be certified to after they have 17 occurred. 18 Certified to by me this 4th day of February, 19 20 21 22 23 24 25</p> <p style="text-align: right;">  <i>Lei Sherra Torrence</i> Lei Sherra Torrence, CSR Texas CSR No. 7836 Expiration Date: 12/31/2014 Firm Registration No. 631 Kim Tindall & Associates, LLC 645 Lockhill Selma, Suite 200 San Antonio, Texas 78216 (210) 697-3400 (210) 697-3408 (Fax) </p>
<p style="text-align: right;">Page 143</p> <p>1 CAUSE NO. 2010-CI-10977 2 JOHN K. MEYER, ET AL.,) IN THE DISTRICT COURT 3 Plaintiffs,) 4 VS.) 225TH JUDICIAL DISTRICT 5) 6 JP MORGAN CHASE BANK, N.A.) 7 INDIVIDUALLY/CORPORATELY) 8 AND AS TRUSTEE OF THE) 9 SOUTH TEXAS SYNDICATE) 10 TRUST and GARY P. AYMES,) 11 Defendants.) BEXAR COUNTY, TEXAS 12 13 REPORTER'S CERTIFICATION 14 DEPOSITION OF BILL OSBORN 15 JANUARY 24, 2014 16 17 I, LEI SHERRA TORRENCE, Certified Shorthand Reporter 18 in and for the State of Texas, hereby certify to the 19 following: 20 That the witness, BILL OSBORN, was duly sworn by the 21 officer and that the transcript of the oral deposition 22 is a true record of the testimony given by the witness; 23 That the deposition transcript was submitted on 24 _____ to the witness or to the attorney for 25 the witness for examination, signature and return to me by _____; That the amount of time used by each party at the deposition is as follows: MR. JIM L. FLEGLE - 03 HOURS:01 MINUTE MR. KEVIN M. BEITER - 00 HOURS:41 MINUTES MR. JACOB M. DAVIDSON - 00 HOURS:00 MINUTES</p>	<p style="text-align: right;">Page 145</p> <p>1 FURTHER CERTIFICATION UNDER RULE 203 TRCP 2 The original deposition was/was not returned to the 3 deposition officer on _____; 4 If returned, the attached Changes and Signature page 5 contains any changes and the reasons therefor; 6 If returned, the original deposition was delivered to 7 Mr. Jim L. Flegle, Custodial Attorney; 8 That \$_____ is the deposition officer's charges 9 to the Plaintiffs for preparing the original deposition 10 transcript and any copies of exhibits; 11 That the deposition was delivered in accordance with 12 Rule 203.3, and that a copy of this certificate was 13 served on all parties shown herein on and filed with the 14 Clerk. 15 Certified to by me this _____ day of 16 _____, 2014. 17 18 19 20 21 22 23 24 25</p> <p style="text-align: right;"> _____ Lei Sherra Torrence, CSR Texas CSR No. 7836 Expiration Date: 12/31/2014 Firm Registration No. 631 Kim Tindall & Associates, LLC 645 Lockhill Selma, Suite 200 San Antonio, Texas 78216 (210) 697-3400 (210) 697-3408 (Fax) </p>

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Transcript of the Testimony of
Richard Stoneburner

Date:

February 4, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

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CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

ORAL VIDEOTAPED DEPOSITION

RICHARD STONEBURNER

February 4, 2014

ORAL VIDEOTAPED DEPOSITION OF RICHARD
STONEBURNER, produced as a witness at the instance of
the Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on February 4, 2014,
from 8:46 a.m. to 12:28 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Pinebrook Partners, 1301 McKinney,
Suite 3550, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

Page 2	Page 4
<p>1 APPEARANCES</p> <p>2</p> <p>3 FOR DEFENDANTS:</p> <p>4 KEVIN BEITER, ESQ.</p> <p>5 HORNBERGER SHEEHAN FULLER BETTER WITTENBERG & GARZA</p> <p>6 7373 Broadway</p> <p>7 Suite 300</p> <p>8 San Antonio, Texas 78209</p> <p>9 Telephone: 210-271-1731</p> <p>10 Fax: 210-271-1730</p> <p>11 E-mail: kbeiter@hsfblaw.com</p> <p>12</p> <p>13 FOR PLAINTIFF:</p> <p>14 JIM L. FLEGLE, ESQ.</p> <p>15 LOEWINSOHN FLEGLE DEARY</p> <p>16 12377 Merit Drive</p> <p>17 Suite 900</p> <p>18 Dallas, Texas 75251</p> <p>19 Telephone: 214-572-1701</p> <p>20 Fax: 214-572-1717</p> <p>21 E-mail: jimf@LFDlaw.com</p> <p>22 FOR THE WITNESS AND PETROHAWK ENERGY:</p> <p>23 EUGENE NETTLES, ESQ.</p> <p>24 PORTER & HEDGES</p> <p>25 1000 Main Street</p> <p>36th Floor</p> <p>Houston, Texas 77002</p> <p>Telephone: 713-226-6000</p> <p>Fax: 713-228-1331</p> <p>E-mail: emnettles@porterhedges.com</p> <p>ALSO PRESENT:</p> <p>Terry Harrison, Videographer</p> <p>Susan P. Kravik</p>	<p>1 VIDEOGRAPHER: Today is February 4th,</p> <p>2 2013. We are on the record at 8:46.</p> <p>3 RICHARD STONEBURNER,</p> <p>4 having been first duly sworn, testified as follows:</p> <p>5 EXAMINATION</p> <p>6 Q. (BY MR. FLEGLE) Would you please state your</p> <p>7 name?</p> <p>8 A. Richard Kely Stoneburner.</p> <p>9 Q. How are you currently employed?</p> <p>10 A. I have various advisory positions. I'm a</p> <p>11 senior advisor with Pinebrook Partners, which is</p> <p>12 where we're located today, on the board of Newfield</p> <p>13 Exploration, the board of Yuma Exploration, and the</p> <p>14 board of Cub Energy.</p> <p>15 MR. NETTLES: Excuse me, Jim. We</p> <p>16 didn't do the announcements, so I just want to make</p> <p>17 one statement on the record before we get too far</p> <p>18 along.</p> <p>19 MR. FLEGLE: Be my guest.</p> <p>20 MR. NETTLES: My name is Gene Nettles.</p> <p>21 I'm with the law firm of Porter & Hedges here in</p> <p>22 Houston, Texas, and I'm representing the witness</p> <p>23 along with Petrohawk entities to the extent that an</p> <p>24 issue of confidentiality or privilege may be</p> <p>25 involved, become an issue in the deposition. Thank</p>
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<p>1 INDEX</p> <p>2 PAGE</p> <p>3 RICHARD STONEBURNER</p> <p>4 Examination by Mr. Flegle4</p> <p>5 Court Reporter's Certificate99</p> <p>6</p> <p>7 EXHIBITS</p> <p>8 NO. DESCRIPTION PAGE</p> <p>9 858 2008 Earnings Call Transcript 64</p> <p>10 859 Publication 3/10/10 71</p> <p>11 860 Conference Call 2/2010 73</p> <p>12 861 Article 2/25/11 76</p> <p>13 862 Article - Marsh 2011 78</p> <p>14 863 Article 8/6/13 80</p> <p>15 864 Schedule 14A 82</p> <p>16 865 Presentation 85</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 you.</p> <p>2 Q. (BY MR. FLEGLE) Okay. Thank you. Let's go</p> <p>3 back over your advisory positions.</p> <p>4 Pinebrook Partners, what is its --</p> <p>5 A. Private equity firm located in New York,</p> <p>6 does oil and goes investments along with financial</p> <p>7 service investments.</p> <p>8 Q. And what business is Newfield in?</p> <p>9 A. Oil and gas exploration, domestic.</p> <p>10 Q. And the other two? I didn't get them.</p> <p>11 A. Yuma Exploration, Y-U-M-A. Again, domestic</p> <p>12 onshore. And Cub, C-U-B, Energy is international</p> <p>13 E&P, exploration and production.</p> <p>14 Q. And, again, Cub is in oil and goes?</p> <p>15 A. Yes.</p> <p>16 Q. Are any of these companies where you're on</p> <p>17 the -- where you're acting as an advisor in the</p> <p>18 exploration and production side of the Eagle Ford</p> <p>19 shale in south Texas?</p> <p>20 A. Newfield has a relatively minor position in</p> <p>21 the Eagle Ford. It's over in the Maverick Basin.</p> <p>22 Q. Now, at some point in time you were</p> <p>23 employed by a company called Petrohawk Exploration,</p> <p>24 were you not?</p> <p>25 A. Petrohawk Energy.</p>

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<p style="text-align: right;">Page 6</p> <p>1 Q. Petrohawk Energy. How -- from when to when</p> <p>2 were you with Petrohawk Energy?</p> <p>3 A. I was with it from inception, which was in</p> <p>4 July of 2003, until the merger in August 2011, merger</p> <p>5 with BHP.</p> <p>6 Q. And from July, 2003 forward could you take</p> <p>7 me through the various positions that you held at</p> <p>8 Petrohawk Energy?</p> <p>9 A. Yeah, best I can recall. I'm a geologist</p> <p>10 by degree. So, I was the exploration manager at the</p> <p>11 outset. I was probably vice president of exploration</p> <p>12 at that time. I was then promoted to executive</p> <p>13 vice president of exploration probably in the 2004 or</p> <p>14 five time frame. In 2007 I was promoted to chief</p> <p>15 operating officer. In 2009 I was promoted to</p> <p>16 president and chief operating officer.</p> <p>17 Q. Now, you say you're a geologist by</p> <p>18 background. Tell us just a little bit about your</p> <p>19 education.</p> <p>20 A. I received a bachelor of science degree</p> <p>21 from the University of Texas at Austin in 1976 and a</p> <p>22 master of science degree from Wichita State</p> <p>23 University in 1982.</p> <p>24 Q. When your position changed at Petrohawk</p> <p>25 Energy in 2007 to chief operating officer, what</p>	<p style="text-align: right;">Page 8</p> <p>1 throughout the 2008 year?</p> <p>2 A. Yes.</p> <p>3 Q. Now, there was another person that we've</p> <p>4 heard about that worked with Mr. Cusak. Stan Caddou?</p> <p>5 A. Caddou, Caddou, yeah.</p> <p>6 Q. Did Mr. Caddou report to you either</p> <p>7 directly or indirectly?</p> <p>8 A. I guess you would say indirectly. He</p> <p>9 reported through the land function, which reported up</p> <p>10 to Charles then reported up through me. So, I guess</p> <p>11 you could say indirectly he did.</p> <p>12 Q. And when you say "the land function,"</p> <p>13 that's the function that landmen at Petrohawk Energy</p> <p>14 dispatched?</p> <p>15 A. Correct.</p> <p>16 Q. And by "land function," that was the</p> <p>17 function of going out and trying to locate and secure</p> <p>18 lease interests in mineral acres?</p> <p>19 A. Among others, but yes. The primary role</p> <p>20 would have been to acquire the leases and then</p> <p>21 administer the leases as we dispense with them with</p> <p>22 drilling and production.</p> <p>23 Q. And by either education or experience do</p> <p>24 you consider yourself someone who could handle the</p> <p>25 land function?</p>
<p style="text-align: right;">Page 7</p> <p>1 responsibilities did you take over then?</p> <p>2 A. It's really all the operations of the</p> <p>3 company. When I say "operations," it's the drilling,</p> <p>4 completion, production of all of our properties. I</p> <p>5 still -- by virtue of my previous position as</p> <p>6 executive vice president exploration, I didn't</p> <p>7 necessarily abandon, if you will, my exploration</p> <p>8 roots. So, I did stay involved in the exploration</p> <p>9 working with Charles Cusak, who became vice president</p> <p>10 of exploration upon my assignment of chief operating</p> <p>11 officer.</p> <p>12 Q. Now, you mentioned Mr. Cusak. Did</p> <p>13 Mr. Cusak report to you while he was employed at</p> <p>14 Petrohawk Energy?</p> <p>15 A. He did.</p> <p>16 Q. And what was Mr. Cusak's role?</p> <p>17 A. Like I said, when -- well, prior to my</p> <p>18 becoming chief operating officer, he was working as</p> <p>19 kind of a co-exploration manager with an individual</p> <p>20 by the name of Cliff Foss. Cliff came from our KCS</p> <p>21 Energy merger in 2006. When we sold our Gulf Coast</p> <p>22 assets in 2008, Charles assumed the role of</p> <p>23 exploration manager for the company and reported to</p> <p>24 me directly at that time.</p> <p>25 Q. And did Mr. Cusak report directly to you</p>	<p style="text-align: right;">Page 9</p> <p>1 A. I would clarify "handle."</p> <p>2 Q. Okay. That's -- that's fair. Let me ask</p> <p>3 again.</p> <p>4 Was part of your role at Petrohawk</p> <p>5 Energy to dispatch the land function?</p> <p>6 A. Again, I don't think I would use the word</p> <p>7 "dispatch." I -- I oversaw.</p> <p>8 Q. Okay.</p> <p>9 A. And would advise when appropriate if I had</p> <p>10 an opinion on what should be done and how it should</p> <p>11 be done. But, again, it was a fairly indirect</p> <p>12 reporting process. I did not micro-manage people</p> <p>13 and, therefore, I would not have gone down to the</p> <p>14 level of Stan or his level of employee.</p> <p>15 Q. Okay. So, for example, if Mister -- if</p> <p>16 Stan Caddou had an issue, you generally would expect</p> <p>17 him to work that out with Charles Cusak?</p> <p>18 A. Or his immediate land supervisor.</p> <p>19 Q. Okay. And during 2008, his immediate</p> <p>20 supervisor was whom?</p> <p>21 A. Howard Isbell was hired sometime right in</p> <p>22 the midst of our Eagle Ford efforts and became land</p> <p>23 manager and Stan reported to him. Prior to Howard, I</p> <p>24 honestly can't recall who was the land manager.</p> <p>25 Q. Now, when Mr. Isbell was hired in 2008, was</p>

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<p>1 he somebody that you had previously had experience 2 with? 3 A. I did. Primarily as a friend. I went to 4 college with Howard, was a fraternity brother with 5 Howard. I knew of him professionally. And so, I 6 definitely vouched for his professional abilities, 7 but I also knew him as a long-time friend. 8 Q. And was Mr. Isbell in 2008 when he came 9 aboard at Petrohawk Energy responsible for activities 10 in the Eagle Ford play? 11 A. He was. 12 Q. Let me get a couple of things established 13 as far as Petrohawk Energy. Petrohawk Energy, by 14 2007, was what we call a public company, wasn't it? 15 A. Oh, it was a public company in 2004. 16 Q. Okay. And by "public company," that means 17 it's got shareholders that are -- and its shares 18 trade on the Stock Exchange? 19 A. They do. New York Stock Exchange. 20 Q. Okay. And as part of being a public 21 company, Petrohawk Energy was required to make 22 certain filings with the Securities Exchange 23 Commission. Right? 24 A. Correct. 25 Q. And did you participate in preparing the</p>	<p>1 shale in Arkansas, which quite honestly had very 2 little value. There was no production associated 3 with it. There had been a few wells drilled, but it 4 lacked infrastructure. So, there were no proved 5 reserves associated with that so we did not put any 6 focus on it. 7 In early 2007 we began completing 8 those wells and then drilling additional wells. And 9 by -- oh, I'll just call it mid 2007 -- Floyd Wilson, 10 our CEO, and -- along with the management team all 11 agreed that we needed to transform the company toward 12 these very repeatable and highly prolific resource 13 plays such as the Barnett and the Fayetteville at 14 that time. 15 So, we sold all of our Gulf Coast 16 assets in late 2007. We received about \$800 million 17 in funds from that transaction, and we redeployed 18 those funds initially into additional Fayetteville 19 acreage. And then again with the onset of the 20 Haynesville in late 2007 and the Eagle Ford in 2008 21 we continued to redeploy our available capital into 22 resource plays and continued to sell nonstrategic, 23 nonmaterial conventional assets. 24 Q. And this transformation of the company that 25 Mr. Wilson concluded needed to be done was something</p>
Page 11	Page 13
<p>1 filings that were made on behalf of Petrohawk Energy 2 with the Securities Exchange Commission? 3 A. Again, I -- I would read, comment on 4 certain filings, mainly the 10Q and the 10K. Most of 5 the other filings were financial in nature, but we 6 did have certain statements in our 10K and 10Q that 7 had operational components. So, yes. 8 Q. Right. And Petrohawk Energy did everything 9 it could to make sure that the statements that were 10 made in these filings -- the 10Qs, the 10Ks -- were 11 accurate and were accurate in disclosing to the 12 public the material information that needed to be 13 disclosed? 14 A. I believe so. 15 Q. Let me kind of peel back to 2007 with 16 Petrohawk Energy for a minute. 17 In 2007 did -- did Petrohawk make a 18 decision internally to change its focus and -- in how 19 it was going about exploration and production? 20 A. It did. 21 Q. And could you describe for us what that 22 change in business focus was from your perspective? 23 A. Yeah, I would -- I would date it back to 24 the merger with KCS Resources in 2006. Along with 25 that merger were some properties in the Fayetteville</p>	<p>1 that Petrohawk Energy disclosed and explained to the 2 public in 2007, didn't it? 3 A. I would think so, yes. I remember clearly 4 talking to people about it, whether -- it was 5 probably within the -- the K or the Q, but I 6 certainly remember espousing the strategy to analysts 7 and -- and those that were following the company. It 8 was not something we did without sharing our 9 philosophy and strategy with the public. 10 Q. Right. And -- and from your perspective it 11 was pretty clear at the end of 2007 that Petrohawk 12 Energy was focusing on unconventional shale plays? 13 A. Absolutely. 14 Q. And they were onshore? 15 A. Yes, yep. 16 Q. And if somebody wanted to follow Petrohawk 17 Energy, just look them up in the analysts or look 18 them up in the disclosures that Petrohawk was making 19 to the public. They could find that Petrohawk was 20 focusing on unconventional shale plays? 21 A. Correct. 22 Q. Now, when you mentioned these -- the change 23 in the focus a minute ago, you used the terms "highly 24 repeatable and prolific." 25 What do you mean by those terms?</p>

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<p style="text-align: right;">Page 14</p> <p>1 A. I mean that once discovered as a commercial 2 reservoir, they -- many of them proved to be very 3 economic and very repeatable. Very large -- by 4 definition, shale reservoirs cover a large area. And 5 so, once one had identified the core area of that 6 shale play and identified and validated its 7 commercial capabilities, then they were very, very 8 valuable resources and assets to own. 9 Q. And in this case we've heard a lot about a 10 shale play called the Eagle Ford in south Texas and, 11 of course, Petrohawk Energy had a role in the Eagle 12 Ford, did it not? 13 A. It did. 14 Q. In terms of what you learned and Petrohawk 15 Energy learned about the Eagle Ford, was the Eagle 16 Ford one of those highly repeatable and prolific 17 shale plays? 18 MR. BEITER: Objection. Form. 19 A. It became one. 20 Q. (BY MR. FLEGLE) And it -- that point of -- 21 and when you say "it became one," can you kind of 22 tell us what you mean by timing from that standpoint, 23 how and when? 24 A. Well, I think you know the discovery was 25 announced in October of 2008 and we drilled two</p>	<p style="text-align: right;">Page 16</p> <p>1 MR. BEITER: Objection. Form. 2 MR. NETTLES: Same objection. 3 A. You know, again, widely known, major 4 player, those are kind of again subjective. We were 5 clearly involved heavily in the Fayetteville -- and 6 what time did you say? 7 Q. (BY MR. FLEGLE) 2008. 8 A. Beginning of? 9 Q. Yes, sir. 10 A. You know, not really. We didn't spud our 11 first Eagle Ford well until July of eight. We didn't 12 spud our first Haynesville well until March of '08. 13 All we really had was kind of a third-class position 14 in the Fayetteville. It was good, but it wasn't 15 Southwestern, it wasn't Chesapeake, which were the 16 two primary players. So, yes, we were known as -- 17 call it an up and comer, technically capable. We 18 were respected in that -- that manner, but were we 19 major? Were we widely known? I would say not. 20 Q. Let me take out the adjectives. 21 A. Okay. 22 Q. Let me ask it this way. After the change 23 in focus in 2007 when it was announced, it was 24 disclosed to the public that the focus for Petrohawk 25 Energy was going to be in shales. Right?</p>
<p style="text-align: right;">Page 15</p> <p>1 subsequent wells over the course of the last part of 2 2008, first quarter of 2009 and then -- you know, the 3 thing about shale plays because, as I mentioned, the 4 sheer size and aerial extent, the Eagle Ford covers 5 approximately 13 million acres, okay? So, we drilled 6 a well and a second well and a third well over the 7 course of six months. When did we know it was 8 repeatable and prolific? You know, sometime after 9 those first three wells but sometime before now. I 10 mean, I'm being facetious, but, you know, how many 11 wells does it take to have the confidence that it is 12 repeatable and it is prolific? More than three, less 13 than 50. 14 Q. Right. 15 A. And that's a very subjective statement. 16 There's nothing objective about it because it takes 17 time to understand what the ultimate resources in 18 that one given well, much less the aerial extent of 19 that repeatable resource. 20 Q. Since we've been talking about the Eagle 21 Ford -- well, I'll tell you what. Before we get 22 there -- scratch that. 23 Now, by 2008 is it fair to say that 24 Petrohawk Energy was widely known as being a major 25 player in shales?</p>	<p style="text-align: right;">Page 17</p> <p>1 A. Correct. 2 Q. And the focus that Petrohawk Energy 3 announced to the public was to include tight gas 4 development areas? 5 A. Shale. Tight gases are a little broad. 6 That could include sandstones or carbonates, as well. 7 Q. Got you. I appreciate the help. And would 8 it also have been known that Petrohawk Energy was 9 focusing on unconventional gas wells? 10 A. Yes. 11 Q. Including horizontal gas wells with 12 frac'ing? 13 A. Hydraulic fracture. I take offense at the 14 term frac'ing. 15 Q. I will clear up the record. And would 16 Petrohawk Energy's focus as it was sharing with the 17 public in 2008 include a focus on horizontal gas 18 wells with hydraulic fracturing? 19 A. Yes. 20 Q. And -- and the Haynesville shale wells that 21 Petrohawk Energy was drilling were horizontal with 22 hydraulic frac'ing, were they not? 23 A. They were. 24 Q. And the same for the Fayetteville shale 25 wells?</p>

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<p style="text-align: right;">Page 18</p> <p>1 A. Yes. I would add that aside from an area 2 of the Barnett and an area of the Marcellus there's 3 not a shale play alive that doesn't require 4 horizontal drilling and multi-stage hydraulic 5 fracturing. 6 Q. And let me stop there for just a minute and 7 focus on -- on the drilling for a second. 8 When Petrohawk Energy drilled the 9 first discovery well on the South Texas Syndicate 10 property in the -- the Eagle Ford, the expense of 11 that well was somewhere north of \$12 million, was it 12 not? 13 A. My recollection was 16. 14 Q. \$16 million? And what Petrohawk Energy 15 found after that first well is that the cost of 16 drilling additional wells went down dramatically, 17 didn't it? 18 A. It's a repeatable occurrence in shale 19 plays. Early wells were very expensive. You do use 20 a lot of science. You run operations -- and I won't 21 get into all of them that are unique -- to your 22 discovery wells and your initial appraisal wells that 23 increase the cost, plus you just get more 24 knowledgeable of how the wells are most effectively 25 and efficiently drilled. So, yes.</p>	<p style="text-align: right;">Page 20</p> <p>1 area or the Blackhawk area -- Hawkville area being 2 primarily the STS region, the Blackhawk area up in 3 DeWitt County primarily. Those were both at about 4 the same depth, about the same pressure. Those wells 5 in the 2009 time frame were probably costing nine to 6 \$10 and a half million, maybe nine to 11. 7 Q. And even at that point in time in 2009 with 8 the wells costing that, was it still Petrohawk 9 Energy's view that the Eagle Ford was a highly 10 repeatable and prolific play? 11 MR. BEITER: Objection. Form. 12 MR. NETTLES: Objection. Form. 13 A. Many areas of it certainly were. 14 Q. (BY MR. FLEGLE) Okay. Now, one of the 15 areas that we'll focus on a little bit today is 16 acreage on the South Texas Syndicate Trust interests. 17 Did Petrohawk Energy consider the 18 Eagle Ford as it occurred on South Texas Syndicate 19 Trust acreage highly repeatable and prolific? 20 MR. BEITER: Objection. Form. 21 MR. NETTLES: Objection. Form. 22 A. Again, not the entire acreage. And as time 23 wore on, we learned more about the nature of the rock 24 and the nature of the product, and both the rock and 25 the product changed to the point where in some areas</p>
<p style="text-align: right;">Page 19</p> <p>1 Q. As time went along while Petrohawk Energy 2 was pursuing the drilling of wells in the Eagle Ford, 3 Petrohawk Energy learned that an Eagle Ford well 4 could be drilled for \$4 and a half million? 5 A. Drilled and completed? 6 Q. Yes, sir. 7 A. No way. 8 Q. That hasn't been a number that you've seen? 9 A. No. Not even in the shallower -- your frac 10 job alone costs you about \$4 million. 11 Q. Okay. What -- in terms of a completion 12 number, what did you use as a rule of thumb in the 13 Eagle Ford? 14 MR. NETTLES: Objection. Form. 15 A. In -- am I supposed to ignore those? 16 MR. NETTLES: He's not telling you 17 whether it's 2008, 2009, 2010. So, it's vague. 18 Q. (BY MR. FLEGLE) That's fair. 19 A. I don't need to respond to it? 20 MR. NETTLES: No. I'm just making the 21 objection for the record. 22 Q. (BY MR. FLEGLE) By 2009, just -- 23 A. Yeah. I mean, again, it depends on where 24 you're drilling, but most all of our Eagle Ford 25 acreage, whether it be in what we call the Hawkville</p>	<p style="text-align: right;">Page 21</p> <p>1 where we were dry gas and deeper and rock quality had 2 become less -- lower quality. Some of those wells 3 were not commercial. By contrast, where the rock 4 quality was still good and the product mix provided 5 the best commodity price opportunity, then, yes, they 6 were highly prolific. 7 Q. (BY MR. FLEGLE) Now, at the time -- and 8 here again, I want to focus on the Eagle Ford 9 formation as it related to acreage Petrohawk had on 10 South Texas Syndicate interests. 11 As time went on into 2010 and 2011 12 before the transaction with BHT Billiton -- right? 13 A. BHP Billiton, correct. 14 Q. BHP Billiton. Was Petrohawk Energy still 15 pursuing drilling wells in the Eagle Ford on the 16 South Texas Syndicate interests? 17 A. Yes. 18 Q. And then after the transaction with BHP 19 Billiton you remained with BHP Billiton, did you not? 20 A. I did. 21 Q. And in what role did you remain at BHP 22 Billiton? 23 A. I was the president of the North American 24 shale production division of BHP Billiton Petroleum, 25 the longest title known to man.</p>

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<p>1 Q. And did that include responsibilities over 2 the Eagle Ford? 3 A. It did. 4 Q. And once the transaction with -- between 5 Petrohawk Energy and BHP Billiton occurred, did BHP 6 Billiton continue to develop and drill wells on the 7 South Texas Syndicate acreage? 8 A. Certainly through my tenure, which was the 9 end of 2012, but I would -- and, again, I -- some of 10 my knowledge of the well-by-well development became 11 more removed from my day-to-day responsibilities. 12 So, whether we had slowed down our development of 13 the -- of the syndicate's acreage at the time, I 14 would be a little bit uncertain as to the level of 15 activity. At that time it certainly had to do with 16 the product mix. I doubt very seriously we were 17 drilling any of the dry gas areas of the play unless 18 we were obligated to under continuous development. 19 At that time -- and call it mid 2012 -- we saw gas go 20 below \$2 a thousand. So, things were changing mainly 21 from a commodity price standpoint that most likely 22 caused us to rethink some of the development we might 23 have had a year or two earlier. 24 Q. You mentioned in your explanation there a 25 term that we've heard before, which is continuous</p>	<p>1 A. Well, we did with our conventional assets 2 before we sold them in 2007. 3 Q. When you say "conventional," are you 4 talking about vertical wells? 5 A. Generally speaking. Gulf Coast -- typical 6 Gulf Coast assets. 7 Q. Before the Eagle Ford activity, had 8 Petrohawk Energy had any unconventional activity in 9 south Texas? 10 A. No. 11 Q. Okay. What do you remember about when you 12 heard that there might be something going in the 13 Eagle Ford? 14 A. Well, I'll give you kind of a sequential 15 story, if you will. 16 Q. Please do. 17 A. We were working the Haynesville actively in 18 the second half of 2007 and became convinced that we 19 were going to be successful in that play even though 20 we were still three or five months away from drilling 21 our first well, and a directive -- if you want to 22 call it a directive -- request, demand -- from Floyd 23 to myself and then down through Charles was to "We 24 need to find another play. One's not enough." And 25 we agreed. So, the exploration staff began</p>
Page 23	Page 25
<p>1 development. 2 What is continuous development in your 3 understanding? 4 A. Well, there's -- a general description 5 would be a lease that required some level of 6 activity -- drilling activity and completion and 7 production activity -- beyond the primary term of the 8 lease. 9 Q. And if the lease required continuous 10 development, you as either BHP Billiton or Petrohawk 11 Energy would take that obligation, continuous 12 development, into consideration in determining 13 whether or not to drill a well on a particular acre? 14 A. Yes. 15 Q. And if the continuous development 16 requirement -- we won't go there. 17 Why don't we focus on Eagle Ford for 18 just a minute? What do you remember about the early 19 days when the possibility of an Eagle Ford play came 20 to your attention? 21 How -- how did you learn about it? 22 MR. NETTLES: Objection. Form. 23 Q. (BY MR. FLEGLE) Let me back up. Before 24 2008, did Petrohawk Energy have any activity in south 25 Texas?</p>	<p>1 considering where we would look. 2 Contemporaneous with that, a very good 3 friend of mine by the name of Greg Robertson who was 4 part of First Rock in Corpus -- I had known Greg 5 since the late Eighties. He's a fellow geologist. 6 We've done a lot of things together over the years, 7 and together we kind of hatched the -- the idea of 8 the Eagle Ford being a prospective shale resource 9 mainly because both of us had worked the -- what's 10 called the crustaceous trend of south Texas, which is 11 the Austin Chalk, the Buddah, the Georgetown sequence 12 of carbonate reservoirs that produce from pretty much 13 the Mexico border to -- all the way to the Louisiana 14 border into Louisiana. 15 So, anyway, we believed that the Eagle 16 Ford was prospective and, therefore, we set up a 17 relationship between his company and ours that if we 18 were to locate and acquire prospective Eagle Ford 19 acreage we would share it on a 90/10 basis -- 90 20 percent Petrohawk, 10 percent First Rock, et al, 21 which included an individual by the name of Burke 22 Edwards. EdCo, I think, was the name of his company 23 out of Austin. 24 So, that was presuming that we ended 25 up finding something of merit and then in January</p>

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<p style="text-align: right;">Page 26</p> <p>1 that effort was undertaken.</p> <p>2 Q. That's January 2008?</p> <p>3 A. Correct.</p> <p>4 Q. And when you say "that effort was</p> <p>5 undertaken," what -- what did Petrohawk do starting</p> <p>6 in January of 2008 as it relates to the Eagle Ford?</p> <p>7 A. I'll use Petrohawk, et al, including Greg,</p> <p>8 and just call it that --</p> <p>9 Q. Sure.</p> <p>10 A. -- began doing geologic reconnaissance</p> <p>11 again across that same crustaceous trend that I</p> <p>12 referenced from the Sabine River to the Rio Grande</p> <p>13 River and looked at virtually every Eagle Ford</p> <p>14 penetration, meaning that every well that had</p> <p>15 penetrated the Eagle Ford. I'm exaggerating a bit,</p> <p>16 but we did an extensive analysis of the Eagle Ford</p> <p>17 from a geological and subsurface perspective and at</p> <p>18 that time focused in on the area of McMullen, a sale</p> <p>19 that became known as Hawkville field.</p> <p>20 Q. As part of this geological reconnaissance</p> <p>21 did Petrohawk Energy internally develop what was</p> <p>22 called a buy area?</p> <p>23 A. Eventually.</p> <p>24 Q. And a buy area means -- means what to you?</p> <p>25 A. Well, I'll define it in that this geologic</p>	<p style="text-align: right;">Page 28</p> <p>1 land reconnaissance standpoint.</p> <p>2 Q. And by "land reconnaissance," what does</p> <p>3 that mean?</p> <p>4 A. Go out and find out what's open.</p> <p>5 Q. And who internally at Petrohawk Energy or</p> <p>6 who externally did Petrohawk Energy use to do this</p> <p>7 land reconnaissance?</p> <p>8 A. Like I mentioned, Greg -- Greg is a</p> <p>9 geologist by training, but I would call it a jack of</p> <p>10 all trades by experience. Greg's been an independent</p> <p>11 all his life. He's done extensive land work, a lot</p> <p>12 of operational work. So, Greg kind of has knowledge</p> <p>13 of the entire spectrum of the business, much like</p> <p>14 myself. So, Greg and his associate, Robert Graham --</p> <p>15 Robert had done a lot of work with Greg over the</p> <p>16 years. I was -- I knew Robert just again because</p> <p>17 Greg and I had worked together for -- or worked in</p> <p>18 conjunction with each other in areas of common</p> <p>19 interest for 20 years. So, Robert was landman and</p> <p>20 then Burke Edwards, who I mentioned before with EdCo,</p> <p>21 was also a landman.</p> <p>22 So, we made the conscious decision,</p> <p>23 "These are our partners. These are capable guys that</p> <p>24 know south Texas, that have worked south Texas all</p> <p>25 their lives. It would behoove us to -- to employ</p>
<p style="text-align: right;">Page 27</p> <p>1 reconnaissance led us to a given area based upon</p> <p>2 petrophysical and geochemical data that we acquired,</p> <p>3 and then we acquired an extensive seismic database --</p> <p>4 existing 2D seismic that helped us define the area of</p> <p>5 thickest Eagle Ford development and that basically</p> <p>6 defined our buy area.</p> <p>7 Q. How early in 2008 do you recall a buy area</p> <p>8 being defined?</p> <p>9 A. A little bit evolutionary and a little bit</p> <p>10 uncertain as to a date, but I would call it -- call</p> <p>11 it March, end of the first quarter.</p> <p>12 Q. Now, as this buy area was evolving, did</p> <p>13 Petrohawk Energy also dispatch anyone to go looking</p> <p>14 to see what acreage was available to lease?</p> <p>15 A. Yeah. Again, eventually. I would say it</p> <p>16 was triggered about that same time. We felt like we</p> <p>17 had done all of the petrophysical and geochemical</p> <p>18 analysis that was available to us. I mean, there was</p> <p>19 a fairly uncontrolled area, meaning there hadn't been</p> <p>20 a lot of penetration into the Eagle Ford in this</p> <p>21 immediate area. So, we were pretty much at the end</p> <p>22 of our point of analysis. And so, yes, we then did</p> <p>23 define the buy area and began doing land</p> <p>24 reconnaissance at that point, willing to expend the</p> <p>25 capital at that point, albeit fairly nominal from a</p>	<p style="text-align: right;">Page 29</p> <p>1 them as opposed to our internal assets to do a lot of</p> <p>2 this land work."</p> <p>3 Q. And when Burke Edwards -- when you say</p> <p>4 "Greg," it was Greg Robertson?</p> <p>5 A. Correct.</p> <p>6 Q. When Greg Robertson, Robert Graham, Burke</p> <p>7 Edwards went out to do this land reconnaissance, when</p> <p>8 they started entering leases in the Eagle Ford did</p> <p>9 they enter the leases in the name of Petrohawk</p> <p>10 Energy?</p> <p>11 A. No.</p> <p>12 Q. And what name did they use, do you know?</p> <p>13 A. First Rock.</p> <p>14 Q. Was there any reason internally either at</p> <p>15 Petrohawk Energy or at First Rock to use the First</p> <p>16 Rock name instead of the Petrohawk Energy name?</p> <p>17 MR. BEITER: Objection. Form.</p> <p>18 A. You've already alluded to it. Petrohawk,</p> <p>19 while we weren't the Chesapeake of the world, we were</p> <p>20 a prominent shale player, becoming more so. So, we</p> <p>21 felt like it would be to our competitive advantage</p> <p>22 not to have Petrohawk's name on -- and I would say</p> <p>23 these broader spectrum of leases. Not the STS, but I</p> <p>24 would say the broader spectrum of leases that, number</p> <p>25 one, we felt like Greg and Robert and to some extent</p>

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<p style="text-align: right;">Page 30</p> <p>1 Burke would be more effective and therefore just take 2 them in their own name. It becomes less -- to the 3 lessor it becomes a cleaner operation and it gives us 4 the advantage of not creating a competitive situation 5 with Petrohawk potentially. 6 Q. (BY MR. FLEGLE) And when you're talking 7 about not creating the competitive situation for 8 Petrohawk potentially, you're talking about it makes 9 it -- well, let me start again. 10 When you say it would be to Petrohawk 11 Energy's competitive advantage to use First Rock, 12 another way of saying that is it allows the leases to 13 be purchased without having to compete against other 14 shale players for the acreage? 15 MR. BEITER: Objection. Form. 16 MR. NETTLES: Same objection. 17 Q. (BY MR. FLEGLE) Is that basically -- 18 A. I would use the term "lease busters" is 19 something we were trying to avoid. It's widely 20 known -- and it has been since the days of H.L. Hunt 21 in east Texas -- that, you know, you follow people 22 around that have had success. You may not even have 23 a concept of what the heck are doing, but because 24 these guys are doing it there's got to be something 25 good. And we follow them around and they end up</p>	<p style="text-align: right;">Page 32</p> <p>1 were extremely large, the wells were very attractive, 2 and it became competitive -- very competitive 3 post-discovery. In this case we're talking 4 pre-discovery, I think. 5 Q. (BY MR. FLEGLE) Now, when you mentioned 6 that it was to Petrohawk Energy's competitive 7 advantage to use First Rock, you said "but not on the 8 South Texas Syndicate leases." 9 What was different about the South 10 Texas Syndicate leases in your view? 11 A. Well, you had a professional organization 12 that was managing this asset, and they have been 13 doing this for decades. They were going to be a 14 different type of partner -- and I use lessor/lessee 15 as a partner, and it clearly is. 16 So, we felt as though that being 17 up-front with them, number one, didn't have the same 18 risk of divulging our intent to the public as it 19 would have if we were out talking to, you know, Joe 20 Rancher that goes down to the coffee shop and then 21 starts talking. 22 So, we felt as though it was a risk 23 that was appropriate considering the professional 24 nature of those that were managing the trust. And 25 not to mention that, you know, when you have a lessor</p>
<p style="text-align: right;">Page 31</p> <p>1 busting your lease by buying leases that you are 2 trying to acquire. 3 Q. Got you. And the end result of this 4 following people around is that the cost of entering 5 leases with -- with mineral interest owners generally 6 goes up? 7 MR. BEITER: Objection. Form. 8 MR. NETTLES: Same objection. 9 A. I don't know that that necessarily is the 10 case. It could, but it's really just to avoid -- 11 with competition you do tend to have the opportunity 12 for higher prices. But in this case, I don't know if 13 that would have been the case. 14 Q. (BY MR. FLEGLE) Right. Well, we do know 15 historically from your experience in the Eagle Ford 16 after the first discovery well was drilled the 17 prices -- the bonus payments for leases that were 18 negotiated subsequent to the first well went up? 19 MR. BEITER: Objection. Form. 20 MR. NETTLES: Objection. Form. 21 A. Like I said, after discovery that typically 22 happens. It happens in a very different pace. I'll 23 use the Haynesville by example. The Haynesville 24 became extremely competitive. It was in a period of 25 time that Chesapeake was very active, that the rates</p>	<p style="text-align: right;">Page 33</p> <p>1 of this experience and capabilities you'll probably 2 have a consent to assign provision within the lease. 3 If you took it in First Rock, you would have to get 4 consent to sign into Petrohawk. 5 So, there were a lot of compelling 6 reasons that we felt like it was a risk worth taking 7 to acknowledge to the syndicate that -- or to the JP 8 Morgan folks -- however you want to call them -- that 9 it was Petrohawk indeed. 10 Q. Do you know who at JP Morgan Petrohawk 11 Energy communicated with for purposes of the South 12 Texas Syndicate leases? 13 A. I do, and I will begin this answer by a lot 14 of this is only by recollection through the 15 depositions of Charles Cusak and Stan Caddou because 16 I had very, very little, if any, interaction with the 17 individuals until we had made the discovery. But, 18 yes, Patricia Ormond -- I think is the way I would 19 pronounce her name -- is the main contact that 20 Charles and Stan were dealing with. 21 Q. How much contact did you personally have 22 with Patricia Ormond? 23 A. Pre-discovery, zero, to my recollection. 24 The only time I might have met her, again to my 25 recollection, was sometime in the, you know, first or</p>

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<p>1 second quarter of '09. We had a meeting in the 2 office of Petrohawk that was kind of an advisory 3 meeting to the group to let them now how we had our 4 development plan conceptualized, and there's a guy by 5 the name -- I think it was Bertram Hayes-Davis or 6 Davis-Hayes or something like that. I remember him, 7 and I think Patricia was there. I would be surprised 8 if she wasn't, but I don't really recall her 9 specifically. And there might have been somebody 10 else there. But that's the only meeting I ever had 11 that I can recall with anybody involved with -- with 12 JP Morgan. 13 Q. Thank you. 14 A. I need to go catch my call. 15 MR. FLEGLE: Yeah. We're off the 16 record. 17 VIDEOGRAPHER: Off the record. It's 18 9:29. 19 (Recess from 9:29 a.m. to 10:43 a.m.) 20 VIDEOGRAPHER: This is the beginning 21 of Tape No. 2. On the record. The time is 1043. 22 Q. (BY MR. FLEGLE) As chief operating officer 23 of Petrohawk Energy, were you aware of the financing 24 arrangements that Petrohawk Energy had in 2007 and 25 2008?</p>	<p>1 Credit Agreement dated as of July 12th, 2006." 2 A. Uh-huh. 3 Q. Were you aware in 2008 on or about early 4 February that there had been a -- an amendment to 5 this revolving credit agreement? 6 A. Not specifically. 7 Q. Were you aware that Petro -- 8 A. Put it that way, I don't recollect it. I 9 probably was aware of it, but I don't recollect it. 10 Q. Okay. And as part of this disclosure here 11 in the 10K, the disclosure says that the senior 12 revolving credit facility was increased from 13 \$675 million to a billion dollars. 14 Does that jog your memory on that 15 financial transaction that occurred in February 2008? 16 A. Yeah. We did it every year. It was just a 17 borrowing base re-determination. I would make 18 presentations from the bank group, request an 19 increase in the borrowing base, and we would increase 20 it most likely. 21 Q. And did you make presentations to the bank 22 group for this February 5, 2008 amendment? 23 A. Most likely. 24 Q. And what would those presentations entail? 25 A. Just cover the asset base, determine -- my</p>
Page 35	Page 37
<p>1 A. I think you could be more specific with 2 that question. 3 Q. Well, were you aware that there was a 4 senior revolving credit agreement that Petrohawk 5 Energy had with a group of banks? 6 A. Yes. 7 Q. And one of the banks in the group was JP 8 Morgan? 9 A. If you say so. 10 Q. Well, I'll tell you what. Let me show 11 you -- 12 A. I don't question you. There's about 25 of 13 them, so I wasn't familiar with all of them. 14 Q. Sure. Let me just show you what's 15 previously been marked in this case as Exhibit 598, 16 and I'll represent to you that that is the Form 10K 17 for Petrohawk Energy Corporation for the year ended 18 December 31, 2007, and let me turn your attention to 19 page -- I believe it's Page 79, which is clipped 20 there. 21 A. Right. 22 Q. And you see there is a disclosure that 23 effective February 5, 2008, "The company," which is 24 Petrohawk Energy, "entered into the Fifth Amendment 25 to Second Amended and Restated Senior Revolving</p>	<p>1 presentation was more geological in nature, 2 operational in nature, and then our head of reserve 3 engineering, Tina O'Boot would typically present to 4 the -- to the engineers the actual reserve report. 5 Q. At least in terms of the time that this 6 amendment that is disclosed in this Form 10K for the 7 year ended December 31, 2007 -- let me start again. 8 As of February 5, 2008, Petrohawk 9 Energy did not have anything to disclose regarding 10 the Eagle Ford as far as the asset base, did it? 11 A. No. 12 Q. And in terms of this disclosure that is in 13 the 10K that we're looking at, one of the banks that 14 is in the lender's group is JP Morgan Chase Bank, 15 N.A., is it not? 16 A. Yes. 17 Q. Now, was there anybody at JP Morgan Chase 18 Bank, N.A. that you had as a counterpart for purposes 19 of this credit facility? 20 A. I doubt it very seriously. There probably 21 was an engineer and a bank financial representative 22 present at these meetings. I can't recall who the JP 23 Morgan individuals were. I may get them on multiple 24 choice, but I can't recall. 25 Q. Did you actually have conversations with</p>

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<p style="text-align: right;">Page 38</p> <p>1 the JP Morgan representatives?</p> <p>2 A. Not to my recollection.</p> <p>3 Q. Now, once this -- and, by the way, was this</p> <p>4 Fifth Amendment to Second Amended and Restated Senior</p> <p>5 Revolving Credit Agreement, which is a long name</p> <p>6 there, the largest credit facility that Petrohawk</p> <p>7 Energy had at the time in February 2008?</p> <p>8 A. You know, it probably was, but I would add</p> <p>9 that we had dispensed with a lot of assets, as I</p> <p>10 mentioned before. We sold the Gulf Coast assets for</p> <p>11 \$800 million, and it's your proved reserve base that</p> <p>12 determines a borrowing base. So, I don't know that</p> <p>13 we could make that statement, you know, without</p> <p>14 reviewing the record.</p> <p>15 Q. Okay. If there were a larger credit</p> <p>16 facility that Petrohawk Energy had, you would expect</p> <p>17 that it would be disclosed in the 10K. Right?</p> <p>18 A. When -- when it did occur?</p> <p>19 Q. Right.</p> <p>20 A. I don't think we would have to necessarily</p> <p>21 disclose all those previous fourth, fifth, third,</p> <p>22 second -- like I said, we did it every year and</p> <p>23 sometimes more than once a year.</p> <p>24 Q. Right. And a transaction that has a value</p> <p>25 or a credit facility of a billion dollars is</p>	<p style="text-align: right;">Page 40</p> <p>1 the lenders that are here in this disclosure of the</p> <p>2 amendment to the revolving credit agreement?</p> <p>3 A. That's correct. If we owed them money, we</p> <p>4 wanted them to owe us money.</p> <p>5 Q. Do you remember why the credit agreement</p> <p>6 was up to a billion dollars as of February 5th, 2008?</p> <p>7 A. It would have had to have been an increase</p> <p>8 in the reserve base.</p> <p>9 Q. Did it have anything to do with what</p> <p>10 Mr. Caddou or Mr. Cusak could tell potential lessors</p> <p>11 about how much financial backing Petrohawk Energy had</p> <p>12 for the Eagle Ford play?</p> <p>13 MR. NETTLES: Objection. Form.</p> <p>14 A. Absolutely I don't believe so at all. I</p> <p>15 mean, this is a very standard event within a</p> <p>16 corporation to have a borrowing base relative to its</p> <p>17 proved reserve base. So, it had no bearing on our</p> <p>18 ongoing -- certainly our exploration activities.</p> <p>19 This was not an exploration budget. A very small</p> <p>20 component of our borrowing base would have been</p> <p>21 committed toward exploration capital, and this Eagle</p> <p>22 Ford at this time was clearly exploration capital.</p> <p>23 Q. (BY MR. FLEGLE) Do you recall any</p> <p>24 discussions with either Mr. Caddou or Mr. Cusak</p> <p>25 giving them permission to tell Patti Ormond at JP</p>
<p style="text-align: right;">Page 39</p> <p>1 something that would be considered material to</p> <p>2 Petrohawk Energy --</p> <p>3 MR. BEITER: Objection. Form.</p> <p>4 Q. (BY MR. FLEGLE) -- in its disclosures.</p> <p>5 Right?</p> <p>6 A. It was -- it was a part of our business</p> <p>7 certainly.</p> <p>8 Q. (BY MR. FLEGLE) Other than this Second</p> <p>9 Amended Restated Revolving Credit Agreement that</p> <p>10 we've been talking about that included JP Morgan, do</p> <p>11 you know whether or not Petrohawk Energy had any</p> <p>12 other financial contracts with JP Morgan in 2008?</p> <p>13 A. Not that I'm aware of.</p> <p>14 Q. And what I'm talking about are things like</p> <p>15 commodity swaps or derivatives.</p> <p>16 A. We could have. We did most all of our</p> <p>17 hedging within our bank group. So, that group --</p> <p>18 again, specifically JP Morgan, not necessarily. It</p> <p>19 was generally done with the lead bank, which is BNP</p> <p>20 Paribas. That's not to say that JP Morgan might have</p> <p>21 had some exposure to our hedging program, but I'm not</p> <p>22 aware of it. But it was common for us to hedge with</p> <p>23 our counter-parties. It reduced our risk.</p> <p>24 Q. And the -- the hedging counter-parties that</p> <p>25 you're talking about would have been one or more of</p>	<p style="text-align: right;">Page 41</p> <p>1 Morgan that Petrohawk Energy had \$900 million to</p> <p>2 spend on shale?</p> <p>3 A. Well, we didn't have \$900 million to spend</p> <p>4 on shale. We had \$900 million to, you know, execute</p> <p>5 our capital program. At that time, yes, most of it</p> <p>6 was shale, but certainly a very, very small component</p> <p>7 would have been earmarked for the Eagle Ford, if</p> <p>8 that's where you're getting.</p> <p>9 So, we -- we would have no cause to</p> <p>10 utilize this in discussions. It's public record</p> <p>11 anyway. I mean, so I guess I don't know where you're</p> <p>12 going.</p> <p>13 Q. Well, do you remember at any time -- let me</p> <p>14 get a little more refined -- Mr. Cusak or Mr. Caddou</p> <p>15 telling you that they had told Patti Ormond in</p> <p>16 March 2008 that Petrohawk Energy had \$900 million to</p> <p>17 spend on acquisition of drilling prospects?</p> <p>18 A. Absolutely not. If they made that</p> <p>19 statement, I would not concur with it and I doubt</p> <p>20 seriously they did, not to the way you just phrased</p> <p>21 it, that we could spend \$900 million on drilling</p> <p>22 prospects. That was not accurate.</p> <p>23 Q. And you don't recall any conversation with</p> <p>24 Mr. Cusak or Mr. Caddou on whether or not that's what</p> <p>25 they told Ms. Ormond?</p>

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<p>1 A. No, no. Mr. Cusak was well aware that</p> <p>2 \$900 million was not at his disposal to spend on</p> <p>3 drilling prospects. If that was conferred, it would</p> <p>4 have been a miscommunication in my opinion.</p> <p>5 Q. Now, a little bit later in 2008 this credit</p> <p>6 facility was amended again.</p> <p>7 Do you remember that happening</p> <p>8 sometime in September 2008?</p> <p>9 A. Like I said, we did it every year. I don't</p> <p>10 remember exactly when, but we did it all the time.</p> <p>11 Q. Well, let me show you what's been</p> <p>12 previously marked as Exhibit 599, which is the</p> <p>13 Petrohawk Energy 10K for the year ending December 31,</p> <p>14 2008. I've got a paper clip there on I believe</p> <p>15 Page 68.</p> <p>16 Do you see the reference to senior</p> <p>17 revolving credit facility?</p> <p>18 A. I do.</p> <p>19 Q. Now, in -- in this --</p> <p>20 MR. BEITER: I'm sorry, Jim. What was</p> <p>21 the page?</p> <p>22 MR. FLEGLE: 68.</p> <p>23 MR. BEITER: 68? Thank you.</p> <p>24 MR. FLEGLE: Yeah.</p> <p>25 Q. (BY MR. FLEGLE) Okay. And you see the</p>	<p>1 lands?</p> <p>2 A. It had.</p> <p>3 Q. But you didn't know the results yet?</p> <p>4 A. We had no -- we had not completed it.</p> <p>5 Q. Do you remember -- and by the way, did you</p> <p>6 give a presentation to the bank group for this</p> <p>7 \$1.5 billion increase?</p> <p>8 A. Most likely.</p> <p>9 Q. Do you remember anybody at that point in</p> <p>10 time in September 2008 saying anything to the effect</p> <p>11 that the economy is tanking and this is really a</p> <p>12 stretch and we really don't want to do it?</p> <p>13 A. No.</p> <p>14 Q. Do you remember whether this was a request</p> <p>15 by Petrohawk Energy for the increase or the bank</p> <p>16 group saying, "We want to give you more money"?</p> <p>17 A. Can I repeat it again? It was a scheduled</p> <p>18 semi-annual re-determination. It wasn't something we</p> <p>19 raised our hand or they raised their hand.</p> <p>20 Q. Okay. And the re-determination for the</p> <p>21 increase was based on -- I'm sorry.</p> <p>22 A. Proved reserves.</p> <p>23 Q. Okay. So, by September 2008 the proved</p> <p>24 reserves for Petrohawk had increased enough that the</p> <p>25 credit facility could be increased?</p>
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<p>1 revolving credit facility that's mentioned here is</p> <p>2 now as of September 10, 2008.</p> <p>3 Am I reading that correctly?</p> <p>4 A. Yes.</p> <p>5 Q. And it's between Petrohawk Energy and</p> <p>6 various lenders, which also include JP Morgan Chase</p> <p>7 Bank, N.A., correct?</p> <p>8 A. That's correct.</p> <p>9 Q. And then if you go down a couple of three</p> <p>10 lines, the new facility or senior credit agreement</p> <p>11 provides for a 1.5 billion-dollar facility with an</p> <p>12 increased borrowing base of \$1.1 billion.</p> <p>13 Did I catch that right?</p> <p>14 A. Absolutely.</p> <p>15 Q. Now, do you remember what was going on in</p> <p>16 September 2008 that resulted in this amendment to</p> <p>17 increase the credit facility to \$1.5 billion?</p> <p>18 A. Again, it's a semi-annual re-determination.</p> <p>19 We did it twice a year. Specific as to why it was</p> <p>20 done -- increased, it's just increased in proved</p> <p>21 reserve in the company which allowed us to increase</p> <p>22 our borrowing base.</p> <p>23 Q. Now, by the time this -- this amendment had</p> <p>24 occurred in September of 2008. At least the first</p> <p>25 well had begun drilling on the South Texas Syndicate</p>	<p>1 A. They would have had to. The exact nature</p> <p>2 of that increase at that point in time I would be</p> <p>3 speculating, but it was not the Eagle Ford.</p> <p>4 Q. And when you say they had to, that's</p> <p>5 because the way this credit agreement works?</p> <p>6 A. They are not going to reserve -- they are</p> <p>7 not going to loan you money unless you have proved</p> <p>8 reserves as collateral --</p> <p>9 Q. Okay.</p> <p>10 A. -- and evaluation of those proved reserves</p> <p>11 both from our internal engineering and from our</p> <p>12 reserve auditor, Netherland, Sewell & Associates.</p> <p>13 Q. Now, did anybody in the bank group, the</p> <p>14 lenders to this amended credit facility, after</p> <p>15 September 10, 2008, come back to Petrohawk Energy to</p> <p>16 your knowledge and say, "Because of the economy,</p> <p>17 because of things that have happened, we really need</p> <p>18 to renegotiate the size of this facility"?</p> <p>19 A. Subsequent to this?</p> <p>20 Q. Yes, sir.</p> <p>21 A. Not that I'm aware of.</p> <p>22 Q. And that would -- and I'm trying to get</p> <p>23 through to December 2008.</p> <p>24 Did anybody that you're aware of from</p> <p>25 this bank group come back to Petrohawk Energy and</p>

12 (Pages 42 to 45)

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<p>1 say, "The economy is so bad we've really got to 2 reduce this facility"?</p> <p>3 A. Not that I recall.</p> <p>4 Q. Now, let me re-focus back on the South 5 Texas Syndicate.</p> <p>6 When do you remember first finding out 7 that the South Texas Syndicate had acreage in the 8 Petrohawk Energy buy area for Eagle Ford shale?</p> <p>9 A. You know, sometime late first quarter 2008, 10 but I -- I don't recall any specific meeting or event 11 that, you know, signified that.</p> <p>12 Q. And when you say in first quarter, that 13 means up to March 31?</p> <p>14 A. Yeah.</p> <p>15 Q. Okay. Do you recall a point in time when 16 you learned that the South Texas Syndicate Trust 17 might have tens of thousands of acres available for 18 lease?</p> <p>19 A. You know, honestly, no. Let me -- I think 20 this will maybe help shortcut some of the questions, 21 but in my position I was not involved in a 22 day-to-day, you know, update or evaluation of the 23 goings-on. When we approved this as a prospect that 24 we could expend capital on, it then became the job of 25 the land department and the exploration department to</p>	<p>1 Within the confines of those 2 parameters, I did not go in and -- and question or 3 manage that process. I got updates as to our 4 success, but I did not manage the execution of it.</p> <p>5 Q. Do you have a recollection of when you 6 found out the first time that there were somewhere 7 north of 23, 24,000 acres on the South Texas 8 Syndicate interests that were going to be leased to 9 Petrohawk Energy in May 2008?</p> <p>10 A. Same answer. I don't recall that -- we 11 were leasing from J.C. Martin, we were leasing from, 12 you know, all these other fairly large mineral 13 owners. This all came together very, very quickly, 14 as you can see based upon our success in leasing the 15 STS.</p> <p>16 Just to expound on that, this area had 17 seen frightfully little exploration over the past 18 several decades. It's in the middle of nowhere in 19 terms of producing trends. I mentioned earlier the 20 crustaceous trend to our north, the tertiary trend to 21 our south. There was essentially no production in 22 this area aside from a few very, very scattered 23 Wilcox producers.</p> <p>24 So, you know, it didn't take very long 25 to find out, number one, all this acreage was open,</p>
Page 47	Page 49
<p>1 collectively execute that leasing process, but I was 2 not in any kind of day-to-day or week-to-week 3 involvement in the details of it.</p> <p>4 So, the answer is I wasn't aware of 5 exactly how many acres we might have had available to 6 us. We had a buy area. I asked the guys to execute 7 the acquisition of leases within that buy area, and 8 they did their job.</p> <p>9 Q. In Petrohawk Energy's communications with 10 JP Morgan -- let me start again.</p> <p>11 Were you involved in any internal 12 discussions at Petrohawk Energy as Petrohawk Energy 13 approached JP Morgan, as trustee for the South Texas 14 Syndicate, that discussed whether or not to use 15 Petrohawk Energy's name in the discussions?</p> <p>16 A. Not that I recall. Again, I didn't 17 micro-manage this group. I had confidence in 18 Charles. I had confidence in the land department. I 19 do not recall directing them in any specific fashion. 20 We had -- we had a top that we would pay for a 21 bonus -- I don't remember what it was, but let's say 22 it was a couple hundred bucks. We had a term that we 23 were required to get, call it three years. We had a 24 maximum royalty that we would pay, probably 25 25 percent.</p>	<p>1 most all of it and, number two, that we could 2 effectively lease from these people because they 3 haven't been leased from in years if not decades. 4 So, it all went very, very quickly. And, again, it 5 wasn't such that I had weekly updates on -- on the 6 progress.</p> <p>7 Q. Other than the South Texas Syndicate 8 acreage which was in the tens of thousands of acres 9 per lease, were there other large leases that you 10 recall that Petrohawk Energy took in its name in 11 2008?</p> <p>12 A. No, not that I recall. As I said before, 13 this was the only what I would call professional 14 organization that we were leasing from, and that 15 dictated a little different approach than leasing 16 from the rancher or call it a disinterested land 17 owner.</p> <p>18 Q. Did anybody mention to you at any time that 19 there was an agreement between Petrohawk Energy and 20 JP Morgan, as trustee, that JP Morgan would not 21 disclose that Petrohawk Energy was negotiating leases 22 with JP Morgan, as trustee for the South Texas 23 Syndicate?</p> <p>24 MR. BEITER: Objection. Form.</p> <p>25 A. I had no knowledge of any kind of agreement</p>

13 (Pages 46 to 49)

<p style="text-align: right;">Page 50</p> <p>1 like that, verbal or written. I'm not saying there 2 wasn't, but I had no knowledge of one. 3 Q. (BY MR. FLEGLE) Mr. Cusak or Mr. Caddou 4 didn't mention that to you? 5 A. No. Like I said, I don't recall any verbal 6 or written agreement that the South Texas -- JP 7 Morgan would keep our name confidential to the 8 process. 9 Q. Do you remember any decision made 10 internally at Petrohawk Energy not to file either the 11 leases or the memorandums of the leases of record for 12 the May 2008 leases with JP Morgan, as trustee, and 13 the July 2008 lease with JP Morgan, as trustee, until 14 October 31, 2008? 15 A. I can only make a point of conjecture that 16 it's for the same reason as I mentioned before, to 17 minimize the knowledge to the public that Petrohawk 18 was involved in this area potentially as a shale 19 resource. 20 Q. And looking at -- if in fact -- and I think 21 the record will show -- that there were several dozen 22 leases that were filed on October 30 and October 31, 23 2008, in which Petrohawk or First Rock were the 24 lessees, prior to October 31, 2008, Petrohawk Energy 25 had made a disclosure to the public of the discovery</p>	<p style="text-align: right;">Page 52</p> <p>1 Petrohawk Energy itself, to your knowledge, make any 2 disclosures about its interests in the South Texas 3 Syndicate lands -- mineral interests until after the 4 first well had been completed? 5 A. I would be surprised if anybody had made 6 that statement. 7 Q. And do you know whether or not anybody at 8 JP Morgan had made any public statements about the 9 leasing that was going on between it as trustee and 10 Petrohawk Energy before October 21, 2008? 11 A. Same answer. I would be surprised, but I 12 had no knowledge one way or another. 13 Q. Did you play any role in setting up the buy 14 area for the Eagle Ford? 15 MR. BEITER: Objection. Form. 16 A. I mean, I certainly had a role because 17 everything was reporting up through me, but exactly 18 what that role was other than just being advised of 19 the ongoing effort, I can't recall anything other 20 than that. 21 Q. (BY MR. FLEGLE) Let me show you what's been 22 previously marked as Exhibit 507. This is an e-mail 23 at the bottom from Mr. Cusak to Ms. Ormond at JP 24 Morgan dated March 20, 2008, and it's got a chart 25 attached to it.</p>
<p style="text-align: right;">Page 51</p> <p>1 well, had it not? 2 A. That's correct. 3 Q. And prior to the disclosure by Petrohawk of 4 the discovery well, which I think was somewhere 5 around October 21, 22, 2008, was there any way anyone 6 could tell whether or not Petrohawk Energy had a -- 7 an interest in the first discovery well on the South 8 Texas Syndicate lands? 9 MR. BEITER: Objection. Form. 10 A. I mean, how -- how do I know if there's any 11 way? I'll tell you one story. Rod Lewis would park 12 his helicopter on our pad and gauge our tubing 13 pressure on a regular basis. So -- and Rod was one 14 of the ones that had failed miserably at trying to 15 complete the Eagle Ford. So, I would make -- and I 16 know even -- it's not a reach. Rod Lewis had a sense 17 of what we were doing. Did he know? No. But he had 18 a sense and how many other people had a sense, I 19 couldn't tell you. But Rod has gone on the record 20 both to me and to other public sources to state that 21 he thought it was pretty funny that he was using his 22 helicopter as gaining information about what we're 23 doing. 24 Q. (BY MR. FLEGLE) Well, let me ask you this. 25 From -- from a standpoint of Petrohawk Energy, did</p>	<p style="text-align: right;">Page 53</p> <p>1 Does that chart refresh your memory 2 that you had some conversations about an area of 3 interest in the middle of March 2008? 4 MR. NETTLES: Objection. Form. 5 A. I guess in the first place I don't see my 6 name on here. So, it doesn't change my answer. 7 Q. (BY MR. FLEGLE) Right. You're name's not 8 on there. 9 A. No. 10 Q. But you -- in looking at the second page of 11 this e-mail or the attachment to the e-mail, does 12 this help you recall that in March 2008 Petrohawk 13 Energy had a level of detail about the South Texas 14 Syndicate acreage that would allow it to chart out an 15 area of interest? 16 MR. BEITER: Objection. Form. 17 A. I didn't answer anything to the contrary 18 earlier on. I just said the people that were 19 executing the leasing effort were doing their job. 20 Was I aware of exactly what they were doing? No. 21 Q. (BY MR. FLEGLE) Did -- do you recall giving 22 Mr. Cusak or Mr. Caddou any instructions on how much 23 of the South Texas Syndicate acreage Petrohawk Energy 24 was interested in leasing? 25 A. We had -- when you reference this as a buy</p>

14 (Pages 50 to 53)

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<p>1 area, this is a buy area only as to -- pertaining to 2 the STS. This is not the buy area for the play, 3 okay? So, I was fully aware of and involved in 4 determining the overall buy area. Any leasing 5 effort, discussions, maps, et cetera, that were 6 related to any given one lessor I was not necessarily 7 involved in or aware of.</p> <p>8 To answer your question, though, 9 everything within the buy area -- the general buy 10 area, not the specific buy area that could be 11 acquired under the terms that I described earlier -- 12 would have been -- we would have wanted to acquire 13 that.</p> <p>14 Does that answer your question?</p> <p>15 Q. I believe so. Let me ask you this. Was 16 there any minimum amount of acreage on the South 17 Texas Syndicate interests that Petrohawk Energy 18 needed to lease before it drilled the first discovery 19 well on the South Texas Syndicate interests?</p> <p>20 MR. BEITER: Objection. Form.</p> <p>21 A. It's a very difficult question to answer, 22 but let me take a stab at it. We had a large 23 investment of acquiring leases in a fairly large area 24 and we were going to expend quite a bit of additional 25 exploration capital in drilling this project, and if</p>	<p>1 Q. When in the sequence do you recall the 2 decision was made to spud the STS241-1H?</p> <p>3 A. I can only say at a point at which time we 4 had controlled or acquired substantially all of the 5 project area. That timing, I don't know when that 6 occurred.</p> <p>7 Q. And when you say "the project area," what 8 are you talking about?</p> <p>9 A. The buy area.</p> <p>10 Q. Now, at the time -- I'll just represent to 11 you at the time the STS241-1H was spudded, which was 12 the first few days of July 2008, Petrohawk Energy 13 only had two of the leases it ultimately got with JP 14 Morgan, as trustee, signed.</p> <p>15 Do you know of any agreement prior to 16 the time the STS241-1H was spudded that JP Morgan, 17 trustee, had agreed with Petrohawk Energy that 18 Petrohawk Energy would get the remaining four leases?</p> <p>19 A. It's my understanding we had a 20 contractual -- we had agreement with the JP Morgan 21 folks to lease additional acreage to us, which again 22 is why my answer is that when we had at least a 23 contractual right to acquire additional acreage we 24 then decided to drill our first well. That's my 25 recollection.</p>
Page 55	Page 57
<p>1 we would have not acquired a substantial portion of 2 the 132,000 acres or whatever it is you say was 3 available, it would have made the decision of where 4 to drill and when to drill and how often to drill 5 much more difficult because of the same answer I gave 6 previously regarding the competition that would have 7 been generated with open acreage and us having no 8 control over that open acreage.</p> <p>9 Every prospect in the oil and gas 10 business that has been generated -- I'm using this, 11 you know, argumentatively, but if one didn't have 12 control of the prospective area of one's prospect, 13 whether it's a small structure on the Gulf Coast or a 14 large shale play in North Dakota, if one didn't have 15 a sizable portion of that project controlled, the 16 decision making on how to go forward would have been 17 difficult.</p> <p>18 So, to answer your question, I don't 19 know what we would have done or how quickly we would 20 have done it if we had not controlled a majority of 21 the acreage. So, it's a difficult hypothetical.</p> <p>22 Q. (BY MR. FLEGLE) Well, let me ask you about 23 this. The first well that was spudded in the Eagle 24 Ford by Petrohawk Energy was the STS241-1H?</p> <p>25 A. Correct.</p>	<p>1 Q. In terms of your recollection, when do you 2 recall that this contractual agreement with JP 3 Morgan's folks came into being?</p> <p>4 A. I wouldn't have been able to even guess at 5 it without having read either Mr. Cusak's or 6 Mr. Caddou's deposition, but my recollection from 7 reading the deposition that it might have been in May 8 sometime. But honestly I -- I wasn't -- I repeat 9 myself. I wasn't directly involved in those 10 execution-style decisions and I left it up to my 11 staff to do their job and they did it very well.</p> <p>12 Q. And when you said "May sometime," you meant 13 May 2008?</p> <p>14 A. Correct.</p> <p>15 Q. Do you have any recollection of whether or 16 not this agreement between Petrohawk Energy and JP 17 Morgan's folks was oral or in writing?</p> <p>18 A. Again, just based upon what I read, I think 19 it was in writing and it would have needed to be. 20 And so, yeah, they did their job well. I would not 21 have proceeded -- I don't think I would have 22 proceeded without some contractual other than -- not 23 a verbal contract, a written contract. Is there such 24 thing as a verbal contract?</p> <p>25 Q. There is in this state. Do you recall ever</p>

15 (Pages 54 to 57)

<p style="text-align: right;">Page 58</p> <p>1 seeing a written contract with JP Morgan in which JP</p> <p>2 Morgan, as trustee, committed to lease all available</p> <p>3 acreage to Petrohawk Energy as of May 2008?</p> <p>4 A. No, I don't.</p> <p>5 Q. And who would have had authority to sign</p> <p>6 such an agreement on behalf of Petrohawk Energy in</p> <p>7 2008?</p> <p>8 A. I believe Charles had that authority.</p> <p>9 Q. Charles Cusak?</p> <p>10 A. Cusak.</p> <p>11 Q. In the folklore of the first well, the</p> <p>12 24-1H, there had been discussions about conversations</p> <p>13 at the Texas/OU game on October 11, 2008.</p> <p>14 Were you there?</p> <p>15 A. Absolutely.</p> <p>16 Q. What -- what do you recall discussing at</p> <p>17 that game, if you don't mind recalling it for us?</p> <p>18 A. Folklore is a very good way to put it.</p> <p>19 Q. I'm sorry?</p> <p>20 A. Folklore is a good way to put it because it</p> <p>21 has been put into various publications across the</p> <p>22 country regarding that exchange.</p> <p>23 We were flowing back after the</p> <p>24 fracture stimulation, and that morning was when we</p> <p>25 first started seeing hydrocarbon. And as the day</p>	<p style="text-align: right;">Page 60</p> <p>1 Q. Do you remember being made aware in --</p> <p>2 sometime in the period after the game on October 11</p> <p>3 and before the public announcement was made that</p> <p>4 there still was 30 plus thousand acres of South Texas</p> <p>5 Syndicate mineral interests that were not under</p> <p>6 formal lease?</p> <p>7 A. It was not aware to me.</p> <p>8 Q. And after the public announcement, which I</p> <p>9 think was on October 21, 2008, were you aware that</p> <p>10 Mr. Caddou and Mr. Cusak went over to pay a personal</p> <p>11 visit with Ms. Ormond in San Antonio for purposes of</p> <p>12 these additional unleased acres?</p> <p>13 A. Other than having read the deposition, no,</p> <p>14 at the time I was not aware.</p> <p>15 Q. I'm going to change gears for a second.</p> <p>16 There are some other leases on the South Texas</p> <p>17 Syndicate property that were leased to Pioneer.</p> <p>18 You know who Pioneer is, don't you?</p> <p>19 A. Oh, yeah.</p> <p>20 Q. Do you remember any discussions with anyone</p> <p>21 internally at Petrohawk Energy or externally with JP</p> <p>22 Morgan or anybody else about the -- any interest that</p> <p>23 Petrohawk Energy had in leases held by Pioneer?</p> <p>24 A. I do recall that, and it kind of again gets</p> <p>25 back to the general management style that I employed</p>
<p style="text-align: right;">Page 59</p> <p>1 progressed or the morning progressed, I should say,</p> <p>2 it became apparent that we had had a fairly</p> <p>3 significant volume of gas being produced and Greg and</p> <p>4 I were exchanging e-mails and actually ran into each</p> <p>5 other in the game and I was exchanging e-mails with</p> <p>6 Floyd, as well. It was quite exciting, and it</p> <p>7 might -- it happened to be probably the best Texas/OU</p> <p>8 game I've ever witnessed, and I've witnessed a lot of</p> <p>9 them.</p> <p>10 Q. For more than one reason?</p> <p>11 A. Oh, yeah. We were down 21 to 7 and Jason</p> <p>12 Shipley returns a kickoff a hundred yards to bring us</p> <p>13 back to 21-14. Colt McCoy has the game of his life,</p> <p>14 and we end 38 to 28 and proceed to go to the national</p> <p>15 championship game.</p> <p>16 Q. After that game, did you give any</p> <p>17 instructions to either Mr. Cusak or Mr. Caddou to</p> <p>18 speed up the rate of leasing in the Eagle Ford?</p> <p>19 A. We always went at hawk speed, which is</p> <p>20 quite fast. So, I might have, you know, stated the</p> <p>21 obvious that "We are now probably going to encounter</p> <p>22 some competition, so we probably ought to be a bit</p> <p>23 more diligent in -- in finalizing any additional</p> <p>24 leasing we need to -- to undertake." But a specific</p> <p>25 directive, I don't recall.</p>	<p style="text-align: right;">Page 61</p> <p>1 was that if things were going as expected -- and the</p> <p>2 leasing effort did go as expected -- I was not</p> <p>3 necessarily kept up to date on any specific details.</p> <p>4 But this was a unique instance whereas I recall there</p> <p>5 was either litigation or question regarding the title</p> <p>6 that Pioneer had on that lease and that, you know,</p> <p>7 what could we do to end up getting involved in that</p> <p>8 lease, either through JP Morgan or by virtue of -- of</p> <p>9 a relationship with Pioneer.</p> <p>10 So, yeah, I do recall that that was</p> <p>11 kind of a difficult situation for our benefit in</p> <p>12 talking about how we might be able to work it to our</p> <p>13 benefit.</p> <p>14 Q. Do you remember getting reports from any of</p> <p>15 the folks that reported to you that Ms. Ormond or</p> <p>16 anybody at JP Morgan, as trustee, had asked Petrohawk</p> <p>17 Energy to step back and not contact Pioneer for</p> <p>18 purposes of the leases?</p> <p>19 A. I don't -- I don't think I was involved in</p> <p>20 that kind of detailed strategy. I just knew it was</p> <p>21 something that we wanted and that, you know, we will</p> <p>22 try and get but that, again, was about the extent of</p> <p>23 my involvement.</p> <p>24 Q. Do you remember any issues involving leases</p> <p>25 that were held in the name of Broad Oak?</p>

16 (Pages 58 to 61)

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<p>1 A. Again, probably without having read the 2 deposition I probably wouldn't have recalled the 3 detail. I knew Broad Oak. I knew the guys there. I 4 knew they had some -- some leases up north of us 5 where we considered it, you know, potentially too 6 thin to be commercial, but I don't recall the detail 7 that I read in the deposition. 8 Q. Do you know whether or not there was any 9 understanding internally at Petrohawk Energy that the 10 Broad Oak leases were a part of this agreement that 11 South Texas Syndicate leases would be leased by JP 12 Morgan, as trustee, to Petrohawk Energy? 13 A. No, I have no -- no knowledge of that. 14 Q. There was also an agreement with Bluestone 15 in early 2008. 16 Do you have any recollection of that? 17 A. I do. The timing of it, you know, I would 18 be guessing, but I -- as I got back to thinking about 19 it after reading the deposition, I -- I think that 20 was a project that -- that I might have sourced or 21 came directly to me. We looked at it. "We" being 22 Charles and myself and some other number of people. 23 It just happened to be in the same general 24 neighborhood as our buy area for the Eagle Ford. I'm 25 guessing it was probably in -- in the second half of</p>	<p>1 more than just day-to-day operations? Yes, but it's 2 been too long to really recall the details of it. 3 Q. You are -- you were in 2008 and 2009 a 4 participant in some -- maybe all -- of the earnings 5 calls that Petrohawk Energy had quarterly, were you 6 not? 7 A. Most, yeah, I would have been. 8 (Exhibit 858 marked) 9 Q. (BY MR. FLEGLE) Let me show you what I'm 10 marking as Exhibit 858. 11 A. Did I say something stupid? 12 Q. I'm sure not. Exhibit 857 is a transcript 13 of a -- what is purported to be a Petrohawk Energy 14 Corp. Q3 -- which that means third quarter, does it 15 not? 16 A. It does. 17 Q. 2008 earnings call. And you see about the 18 middle of the first page it's got a date on it of 19 November 6, 2008, 10:00 a.m.? 20 A. I see that. 21 Q. And if you flip through -- well -- well, it 22 doesn't have your name. Yes, it does. It has your 23 name at the top as one of the three executives. 24 Do you see that? 25 A. I do.</p>
Page 63	Page 65
<p>1 '07 because I know it went away in -- in sometime in 2 '08. So, there had to be some sort of a term 3 confidentiality that we signed, probably 12 months to 4 18 months. We would generally not sign more than 18 5 months. 6 So, to answer your question, I do 7 recall it. It was an Almos sand play, if I remember, 8 pretty good science but too much risk at the time for 9 us, and it wasn't what you would call typical 10 unconventional shale exploration. So, we -- we 11 passed. 12 We looked at it, did tie our hands on 13 it from a confidentiality agreement standpoint, and I 14 think the guys worked through it the best they could 15 to resolve it. 16 Q. And this -- the acreage that were the 17 subject of this hand tying or this confidentiality 18 agreement was acreage that ultimately Petrohawk 19 Energy leased from JP Morgan, as trustee for the 20 South Texas Syndicate? 21 A. That's my understanding of it. How it 22 actually transpired in terms of what agreements we 23 made with Bluestone to release our hands or however 24 all that worked, I don't recall. Was I directly 25 involved in it? Probably not. Was I aware of it</p>	<p>1 Q. Do you have a recollection of being on this 2 particular earnings call? 3 A. Not this one in specific but, like you 4 said, I was on all of them at this time. So, it 5 doesn't surprise me that I was. 6 Q. The -- I just wanted to ask you about a 7 couple of comments just so I understand what you 8 were -- you were saying. 9 On Page 6 of 28 -- and the pages are 10 up at the top. 11 A. Uh-huh. 12 Q. Do you see there's a -- there's a statement 13 by you in about the lower 40 percent of the page. 14 A. You uh-huh. 15 Q. And the -- the question, to put it in 16 context, it looks like it's talking about the lower 17 Cotton Valley. 18 Am I getting that right? 19 A. That's correct. 20 Q. All right. I just wanted to focus on the 21 last two sentences of what your -- your first -- the 22 first paragraph here. You said -- it says in the 23 transcript, "It is basically what Floyd has said" -- 24 and that's Floyd Wilson, your CEO. Right? 25 A. Right.</p>

17 (Pages 62 to 65)

<p style="text-align: right;">Page 66</p> <p>1 Q. "For the last couple of months as we really 2 need to focus on the acreage that is not held by 3 production. We don't need" -- and I presume there's 4 a typo there. "We don't need to be drilling 5 spuds" -- 6 A. Puds, P-U-D. Proven undeveloped locations. 7 The transcripitor didn't do that right. 8 Q. All right. "We don't need to be drilling 9 opportunities where the acreage is secure and held." 10 So, I wanted to ask you a couple things. On the "We 11 don't need to be drilling" -- it's puds. Right? 12 A. Yes. 13 Q. And puds are -- 14 A. Proven undeveloped locations as per reserve 15 report. 16 Q. Okay. And then you say, "We don't need to 17 be drilling opportunities where the acreage is 18 secured and held." 19 What did you mean by that? 20 A. Our capital was limited. It may sound like 21 we had a bunch of money because we had a billion and 22 a half dollar borrowing base, but the fact is we were 23 very strapped from a capital standpoint during this 24 entire period of our life. 25 So, if we're going to be drilling 10</p>	<p style="text-align: right;">Page 68</p> <p>1 knowledge -- Petrohawk Energy have any 640-acre 2 leases in the Eagle Ford play? 3 A. Leases? I'm sure we had a few, but they 4 were the exception whereas -- opposed to the rule in 5 north Louisiana. 6 Q. And in terms of your -- do you have an 7 understanding of what about the average size of 8 leases Petrohawk Energy was able to secure in the 9 Eagle Ford? 10 A. No. It would just be a wild guess. They 11 were large. 12 Q. Let me turn your attention to Page 13 of 13 the Q3 2008 earnings call transcript. And this is, 14 again, November 6, 2008, and there's an unidentified 15 analyst that's asking for some Eagle Ford play 16 descriptions and then below the unidentified analyst 17 is a series of lines under your name. 18 A. Uh-huh. 19 Q. Are those statements that you made, you 20 think? 21 A. I'm sure I did, unless I was misquoted 22 about spud like I was on the other one. 23 Q. Well, let's -- let's go through this and 24 see if I've got it right, then. You say, "We think 25 we have that all controlled," and the "that" that you</p>
<p style="text-align: right;">Page 67</p> <p>1 million-dollar wells with 10 or 12 or 15 rigs, that 2 capital needs to go towards securing our investment 3 in that leasehold, not leasehold that's already been 4 secured. 5 Q. And "leasehold that's already been secured" 6 is another way of saying the lease acreage is being 7 held because whatever the lease required Petrohawk 8 Energy to do, Petrohawk Energy had done? 9 MR. BEITER: Objection. Form. 10 A. That is generally correct, yeah. 11 Q. (BY MR. FLEGLE) Would you say it 12 differently? 13 A. No, not really. It differs when you're 14 talking about a 640-acre lease in north Louisiana or 15 a 20,000-acre lease in south Texas. That which 16 needed to be done was more complex and more -- it 17 just wasn't over. Where I'm talking about here in 18 particular, a Haynesville unit is 640-acre 19 governmental unit. That one well is going to hold 20 that, simple. In south Texas, 20,000-acre lease with 21 J.C. Martin or STS has a little more complexity in 22 terms of what we have to do going forward. It's not 23 just over as long as we consider it to be over. 24 Does that make sense? 25 Q. Yeah, sure. And did -- to your</p>	<p style="text-align: right;">Page 69</p> <p>1 have controlled is acreage? 2 A. Yes. And, again, I've made reference to 3 this, but let me expound on it. Our buy area was 4 predicated on a certain presumed thickness of Eagle 5 Ford shale reservoir that was pretty well 6 identifiable through the use of seismic data. So, we 7 drew that buy area, we leased everything inside that 8 buy area that we could, and we were very successful 9 in acquiring those leases inside the buy area. 10 Because ours was the first commercial discovery or 11 commercial well drilled in the play, the biggest 12 question that we had was what thickness is required 13 for commercial rates? Since we were the only one 14 that had drilled a commercial well and we were in an 15 area that was two to three times thicker than 16 anywhere else in the play, we felt like we had that 17 area of the field controlled. The area of the field 18 that had at least a hundred -- I can't remember if it 19 was a hundred, 125 feet of net Eagle Ford pay. That 20 was what we felt like we controlled. 21 You can see by that second statement, 22 "This is very discreet play based on our mapping," 23 and that's what I'm referring to, our mapping of the 24 thickness of the reservoir. 25 Q. And then you say in terms of your mapping,</p>

18 (Pages 66 to 69)

<p style="text-align: right;">Page 70</p> <p>1 "The quality shale is readily apparent when you study 2 the limited but still very obvious well controlled in 3 terms of having necessary thickness." 4 And is that the thickness that you're 5 talking about? 6 A. Yes, yes. What we thought was necessary. 7 We didn't know that, but based upon a sample set of 8 one, we felt like that it might be necessary. 9 Q. All right. And then could you read what 10 you said starting with "so" in the next line? 11 A. "So, we knew it was heading a little 12 further east than our initial view of it that was 13 released a couple weeks ago. It was fairly going to 14 go into McMullen County, but we think right now that 15 we have a pretty well control on it and that was done 16 through -- I call it old-fashioned exploration work 17 based on subsurface mapping." 18 Q. And what did you mean by "pretty well 19 controlled"? 20 A. Well, there's -- either I tongue-tied 21 myself or it was not transcribed accurately. I will 22 tell you it was probably "We think right now that 23 we've got it pretty well controlled," and through our 24 mapping we controlled the area that we felt like had 25 sufficient thickness.</p>	<p style="text-align: right;">Page 72</p> <p>1 (Exhibit 859 marked) 2 Q. (BY MR. FLEGLE) I'm just going to ask you 3 about two or three publications here. The first one 4 is Exhibit 859, which is dated March 10, 2010. This 5 is in upstream.com and the heading is Petrohawk 6 Pushes to Hold Acres. You are quoted about seven 7 lines down. It says, "Stoneburner said those 8 spending levels" -- talking about the spending levels 9 in the various acreage that Petrohawk had -- "are 10 not," quote, "discretionary because the rig count is 11 being driven largely by the company's need to hold 12 acreage." 13 The company's need to hold acreage 14 there was determined by the terms of the leases that 15 Petrohawk Energy entered, correct? 16 A. That would be largely the case, yes. 17 Q. And then the -- and the next quote is, 18 "What happens in 2012 will be dictated by the market 19 and won't be dictated by need to protect our 20 leasehold investment." 21 Is that because by then it was your 22 view in March of 2010 that Petrohawk Energy had done 23 everything it needed to fulfill its obligations under 24 the leases? 25 MR. BEITER: Objection. Form.</p>
<p style="text-align: right;">Page 71</p> <p>1 Q. And then you say, "But we think right 2 now" -- let's see. The next -- the next sentence you 3 say, "Finding a concept based on some subsurface 4 mapping, doing the rock work to confirm that the 5 rocks were conducive to the generation of thermogenic 6 gas and once that occurred you'll begin leasing, 7 drill the well, and I would say the results are very 8 consistent." 9 And when you say, "I would say the 10 results are very consistent," the results you're 11 talking about in November 2008 are what? 12 A. Well, probably consistent with what our -- 13 our objectives would have been, our predrill 14 hoped-for objectives. 15 Q. And then you say, "If not, maybe a little 16 better than our expectations but certainly commercial 17 in our mind and something we're very excited about." 18 When you say "certainly commercial in 19 our mind," are you referencing the results in the 20 Eagle Ford on the first STS241-1H well? 21 A. I was. Now, I would add that to that 22 specific individual well cost it probably wasn't but 23 had enough experience to know that the size of this 24 play, the ability to bring cost down, it had the 25 appearance of a commercial play.</p>	<p style="text-align: right;">Page 73</p> <p>1 A. You said 2010. By 2012 -- 2 Q. (BY MR. FLEGLE) Right. 3 A. -- we would have substantially met those 4 obligations, but let -- let me get back to what I 5 said earlier. 6 The complexity of a 640-acre unit in 7 the Haynesville, there was none. You had to drill 8 one every 640. By 2012, we knew that was going to be 9 done. Then we could convert or -- or reallocate the 10 capital that we were spending in the Haynesville to 11 the more complex equation of our obligations in the 12 Eagle Ford. 13 MR. NETTLES: Let me know when you get 14 a good time to just take a short break. 15 MR. FLEGLE: Yeah, this is a good 16 time. 17 VIDEOGRAPHER: Off the record. The 18 time's 11:36. 19 (Recess from 11:36 a.m. to 11:43 a.m.) 20 VIDEOGRAPHER: On the record again. 21 The time is 11:43. 22 (Exhibit 860 marked) 23 Q. (BY MR. FLEGLE) I've marked as Exhibit 860 24 a couple of pages out of a February 2010 conference 25 call I believe for Petrohawk, and on the second page</p>

19 (Pages 70 to 73)

Page 74	Page 76
<p>1 there are some references here to you. I wanted to</p> <p>2 focus on the last reference, and Mr. Wilson had been</p> <p>3 talking about the Eagle Ford.</p> <p>4 A. Do you want me to read through Tina's</p> <p>5 comment, as well?</p> <p>6 Q. I was just -- I was actually -- I'm sorry.</p> <p>7 I was going to the second page.</p> <p>8 A. Oh, I'm sorry.</p> <p>9 Q. I apologize. There's a comment by</p> <p>10 Mr. Wilson next to the bottom.</p> <p>11 A. Okay. So, the bottom two comments?</p> <p>12 Q. Yeah. I wanted to ask you about yours.</p> <p>13 A. Let me read through -- let me read through</p> <p>14 that, then. (Witness reviews the document.) Okay.</p> <p>15 Q. And this conference call document says</p> <p>16 February 2010. I wanted to ask you about the third</p> <p>17 line there. It says, "So, we bought that in the dark</p> <p>18 of night without competition and with a pretty good</p> <p>19 geologic model."</p> <p>20 Was that your view of how Petrohawk</p> <p>21 Energy purchased the acreage it had in the Eagle</p> <p>22 Ford?</p> <p>23 A. Are you referring to the dark of night?</p> <p>24 Q. Yes, sir.</p> <p>25 A. Well, if you understand what I meant by</p>	<p>1 drilled 15 wells or some number like that, certainly</p> <p>2 not enough to de-risk an entire 160,000-acre</p> <p>3 position, and we probably had 200,000 acres by this</p> <p>4 time. But it was very consistent. And just the</p> <p>5 point being even with just 15 or 20 wells or whatever</p> <p>6 it was, it was -- it was confirming our geologic</p> <p>7 model that we had a very large area of thick, quality</p> <p>8 Eagle Ford shale reservoir.</p> <p>9 Q. Let's jump a head a few months to</p> <p>10 February 2011.</p> <p>11 (Exhibit 861 marked)</p> <p>12 Q. (BY MR. FLEGLE) My first general question</p> <p>13 is: Do you remember a hydraulic fracturing technique</p> <p>14 called HiWAY?</p> <p>15 A. I do.</p> <p>16 Q. And was it created by Schlumberger?</p> <p>17 A. It was.</p> <p>18 Q. Did Petrohawk Energy use it?</p> <p>19 A. Yes. We actually had an arrangement with</p> <p>20 Schlumberger where we were kind of a guinea pig to</p> <p>21 use it and test it and have the right to use it</p> <p>22 before anybody else as they took it to commercial</p> <p>23 marketing. So, it was -- it was a risk we took, but</p> <p>24 we had a great relationship with Schlumberger and the</p> <p>25 theory made sense. So, yes, we had -- we had a --</p>
Page 75	Page 77
<p>1 that, we -- we did it without anybody knowing we were</p> <p>2 doing it, certainly in the public realm. So, yes,</p> <p>3 that's -- I have no problem with that statement.</p> <p>4 Q. And then you said, "And I would eventually</p> <p>5 say that we've already decreased the risking to</p> <p>6 80 percent on that, and I wouldn't be surprised if</p> <p>7 sometime in the future that would even go higher just</p> <p>8 because of the consistency we've seen and the quality</p> <p>9 of the acreage across the board."</p> <p>10 My first question is: What does</p> <p>11 decrease the risking to 80 percent mean for you?</p> <p>12 A. In that about 80 percent of the acres that</p> <p>13 we had acquired would be commercially productive in</p> <p>14 our opinion at that time.</p> <p>15 Q. And you say, "That would even go higher</p> <p>16 just because of the consistency we've seen and the</p> <p>17 quality of the acreage across the board."</p> <p>18 What was the consistency and the</p> <p>19 quality you were observing?</p> <p>20 A. Well, I don't know how many wells we've</p> <p>21 drilled at this time, but it probably still wasn't</p> <p>22 very many for reasons we've already gone into about</p> <p>23 having most of our capital allocated to the</p> <p>24 Haynesville in the 2009 time frame.</p> <p>25 So, you know, let's just say we've</p>	<p>1 probably wasn't a written contract, certainly not to</p> <p>2 my knowledge, but we had a working relationship with</p> <p>3 them to allow us to be the first ones to test this --</p> <p>4 this new product.</p> <p>5 Q. And it terms of the results that came out</p> <p>6 of at least the first four test wells, did HiWAY</p> <p>7 yield an increase in average production of</p> <p>8 37 percent?</p> <p>9 A. Yeah. We had various guesstimates on, you</p> <p>10 know, EUR and production. Yeah, it was a success to</p> <p>11 essentially that stated percentage.</p> <p>12 Q. And then this article says that "Estimated</p> <p>13 ultimate recovery figures from the limited trial</p> <p>14 would be 25 to 90 percent higher compared to</p> <p>15 offsetting wells completed with conventional</p> <p>16 fracturing techniques."</p> <p>17 Do you know whether or not that higher</p> <p>18 percentage was, in fact, obtained?</p> <p>19 A. The 90? I don't know where I would have</p> <p>20 said 90. That doesn't make any sense. That -- I</p> <p>21 don't know the answer in terms of, you know, these</p> <p>22 early time estimates. I would venture to say that we</p> <p>23 still saw better results -- particularly in the dry</p> <p>24 gas areas is where we saw the most consistent</p> <p>25 results. When we got into some of the higher liquid</p>

20 (Pages 74 to 77)

<p style="text-align: right;">Page 78</p> <p>1 areas it became less dramatic, but I don't know where 2 the 90 percent comes from. I don't recall saying 3 anything to that effect. 4 Q. And on Page 2 of this article in the second 5 paragraph there are quotes attributable to you that 6 say, "It seems to be a break-through to us. It makes 7 a lot of sense in the technology and what's being 8 done in trying to create better permeability, a 9 better channel, flow pass for the fluid in the rock 10 and I think intuitively it makes sense that it works 11 best in the dry gas areas." 12 And that was your view back in 13 February 2011, was it not? 14 A. It was. 15 Q. And did your view about the HiWAY hydraulic 16 fracturing technique change after that? 17 A. You know, we entered into our agreement 18 with BHP in July of 2011. I might have gotten a 19 little bit more knowledgeable of how these, you know, 20 increased performance numbers would have occurred 21 over that next four or five months, but not much, and 22 I would tell you that once we did the merger my 23 knowledge of the details of this type of stuff became 24 almost nonexistent. They didn't let me do that kind 25 of stuff when I went to BHP, certainly not talk to</p>	<p style="text-align: right;">Page 80</p> <p>1 are so exceptional because the shale is some 250 feet 2 thick over a 50- by 25-mile swath and is 100 percent 3 net pay. The pressure gradient, while not as high as 4 the Haynesville, is still above normal at 0.65." 5 Is that consistent with what you saw 6 back in July 2010? 7 A. Yeah. I don't attribute the 5 8 million-dollar well cost. That's not in a quote, 9 thank God. I -- I don't think I ever said that. You 10 didn't quote me on that. 11 Q. And I was going to ask you about that 12 because in between the two quotes then is the 13 paragraph that says, "Well costs in the Eagle Ford 14 continue to drop to below \$5 million currently 15 compared with the company's Haynesville wells that 16 are now costing about 9 million." 17 A. Well, again, I don't see quotes around 18 that. Floyd might have said it. If I said it, I 19 was -- I can't imagine I would have said that. We 20 never even came close to a well at 5 million bucks. 21 So, I don't know where that came from. 22 Q. Then I'm going to skip to 2013. 23 (Exhibit 863 marked) 24 Q. (BY MR. FLEGLE) I've marked as Exhibit 863 25 something out of Fool Australia that seems to be</p>
<p style="text-align: right;">Page 79</p> <p>1 the press. 2 (Exhibit 862 marked) 3 Q. (BY MR. FLEGLE) I've got a press article in 4 March of 2011. I've marked it as Exhibit 862, and I 5 wanted to ask you a question or two about Page 6 of 6 9. It's got a PL -- 7 A. I don't see where the page numbers are. 8 Q. They are at the top -- upper right-hand 9 corner at the top. 10 A. Okay. Got it. 11 Q. The context here is Eagle Ford shale in 12 areas in south Texas. And the quotation here, I just 13 wanted to see if this is consistent with what you 14 were thinking in 2011 -- or actually this was offered 15 in a July statement. So, I guess that would have 16 been 2010. Quote, "It's going to be very, very 17 commercial." Quote, "We've already proven it. With 18 this kind of gas in place, it almost has to be" -- 19 and it says "commercial." 20 Was that your view in 2010 of the 21 Eagle Ford? 22 A. I don't think it's terribly inaccurate, no. 23 Q. And then there is another quote that I 24 believe is attributed to you, which is the third 25 paragraph under Petrohawk. "The gas in place numbers</p>	<p style="text-align: right;">Page 81</p> <p>1 following the BHP Billiton transaction. 2 A. Right. 3 Q. It's dated August 6, 2013. And in the 4 first paragraph it says, "Mining heavyweight BHP 5 Billiton is set to win big from the acquisition of 6 Petrohawk Energy which it purchased for \$15 billion 7 in 2011 - with Petrohawk's former president, Richard 8 Stoneburner, declaring that the value of the deal is 9 highlighted by the Eagle Ford shale region's 10 tremendous returns." 11 Was that your view of the Eagle Ford's 12 region's return in 2013? 13 A. You know, I would, but I think you have to 14 qualify it in terms of where specifically the 15 tremendous returns were versus the good returns 16 versus the average returns versus the poor returns. 17 The tremendous returns were generally located in the 18 what we call Blackhawk region in DeWitt County. By 19 this time of commodity price environment, you know, 20 while there were still some really commercial areas 21 to drill in our original Blackhawk area and the STS 22 leases in particular, a lot of those were challenged 23 at this particular time. So, my tremendous statement 24 would have been mainly directed at our Blackhawk 25 asset.</p>

21 (Pages 78 to 81)

Page 82	Page 84
<p>1 MR. FLEGLE: Okay. And thanks. I</p> <p>2 just have to object as nonresponsive.</p> <p>3 Q. (BY MR. FLEGLE) And then the statement is</p> <p>4 made a little bit lower, "Even with gas prices</p> <p>5 currently sitting at around U.S. \$3.45 per thousand</p> <p>6 cubic feet, Stoneburner stated that BHP will likely</p> <p>7 still make attractive returns from the region."</p> <p>8 Was that an accurate representation of</p> <p>9 your beliefs in August of 2013?</p> <p>10 A. I think that's what I just answered, that,</p> <p>11 you know, certain areas were tremendous, certain</p> <p>12 areas were attractive. There's two totally different</p> <p>13 connotations to those two words.</p> <p>14 Q. Okay. Now, as of the -- well, let me back</p> <p>15 up.</p> <p>16 In 2011 there was a transaction in</p> <p>17 which BHP Billiton purchased Petrohawk Energy,</p> <p>18 loosely speaking. Right?</p> <p>19 A. Merged.</p> <p>20 Q. Merged, okay. Was that what is called in</p> <p>21 the securities law parlance or the disclosure</p> <p>22 parlance as a change of control?</p> <p>23 A. Yes.</p> <p>24 (Exhibit 864 marked)</p> <p>25 Q. (BY MR. FLEGLE) Let me show you -- I just</p>	<p>1 vesting of restricted stock options, other, and a</p> <p>2 total for Mr. Wilson, Mr. Mize, yourself, Mr. Helm,</p> <p>3 and Mr. Herrod, all of which are -- all of you are</p> <p>4 officers of Petrohawk Energy, were you not?</p> <p>5 A. Executive officers.</p> <p>6 Q. My question to you is: After the BHP</p> <p>7 Billiton transaction, were each of you compensated</p> <p>8 according to the total column there following change</p> <p>9 of control?</p> <p>10 A. I can't speak for the others, but I suspect</p> <p>11 I was probably compensated as directed in this.</p> <p>12 Q. Okay. And so, once the BHP Billiton</p> <p>13 transaction was completed, you had total payments,</p> <p>14 severance, early vesting, and other of \$4,379,163?</p> <p>15 A. If you say so. I mean, I didn't -- I</p> <p>16 haven't checked my bank account recently but, yeah,</p> <p>17 it was substantial.</p> <p>18 Q. Okay. Good enough. And then if we turn</p> <p>19 over to Page 424, I just wanted to confirm -- that's</p> <p>20 going to be a partial page that's blank, and it's the</p> <p>21 page that's just before 42. There's a summary</p> <p>22 compensation table.</p> <p>23 Do you see that?</p> <p>24 A. Uh-huh.</p> <p>25 Q. And then the first compensation disclosure</p>
Page 83	Page 85
<p>1 want to make sure that I've got this -- these in</p> <p>2 context. I'll mark as Exhibit 864 what is called a</p> <p>3 Schedule 14A that is a proxy statement for Petrohawk</p> <p>4 Energy Corporation, and this is -- do I have a date</p> <p>5 here?</p> <p>6 A. April --</p> <p>7 Q. The next page with Mr. Wilson's letter is</p> <p>8 April 2011. I wanted to turn your attention first to</p> <p>9 Page 18, and the pages are a little bit funky --</p> <p>10 A. I've got it. Well, there's nothing on 18.</p> <p>11 Q. Yeah, but the page before that is</p> <p>12 management.</p> <p>13 A. Okay. Right.</p> <p>14 Q. Let's see. Is that the right page? No,</p> <p>15 that's not the page --</p> <p>16 A. There's not a whole lot of interesting</p> <p>17 reading on that page.</p> <p>18 Q. Not much interesting reading. Let's go to</p> <p>19 Page 40.</p> <p>20 A. Okay.</p> <p>21 Q. And on Page 40 there is a -- it is part of</p> <p>22 a section that a few -- a few pages earlier it's</p> <p>23 titled Termination Provisions and Severance Payments,</p> <p>24 and there's a section that says, "Following change of</p> <p>25 control," and it has severance payments, early</p>	<p>1 is for Mr. Wilson for 2010, 2009, and 2008.</p> <p>2 Am I reading that right?</p> <p>3 A. Uh-huh.</p> <p>4 Q. And then there is a disclosure for Mr. Mize</p> <p>5 and then there's a disclosure for you, Mr.</p> <p>6 Stoneburner, for 2010, 2009, 2008, correct?</p> <p>7 A. Uh-huh, yes.</p> <p>8 Q. And do you have any reason to believe that</p> <p>9 the disclosures for you or Mr. Wilson in this proxy</p> <p>10 Schedule 14A are inaccurate?</p> <p>11 A. I have no reason to believe so.</p> <p>12 Q. You have given some presentations on the</p> <p>13 Eagle Ford, have you not, sir?</p> <p>14 A. Lots of them.</p> <p>15 (Exhibit 865 marked)</p> <p>16 Q. (BY MR. FLEGLE) I'm marking as Exhibit 865</p> <p>17 a presentation before the American Association of</p> <p>18 Petroleum Geologists.</p> <p>19 A. Correct.</p> <p>20 Q. Are you a member of that association?</p> <p>21 A. I am.</p> <p>22 Q. And this -- this presentation -- let me</p> <p>23 just -- did you prepare this presentation?</p> <p>24 A. Largely, yes. I mean, I had some support</p> <p>25 from staff members and Core Lab in particular. But</p>

22 (Pages 82 to 85)

<p style="text-align: right;">Page 86</p> <p>1 yes.</p> <p>2 Q. Yeah. As a matter of fact, in the</p> <p>3 next-to-last page, Slide 50, you made acknowledgments</p> <p>4 to all those people?</p> <p>5 A. Correct.</p> <p>6 Q. Okay. Was -- and this presentation has</p> <p>7 "Distinguished Lecturer" on the front page.</p> <p>8 Is that what you were at this</p> <p>9 presentation?</p> <p>10 A. The APG has a series of distinguished</p> <p>11 lectures every year that they sponsor to go around</p> <p>12 the country to various organizations to talk on</p> <p>13 geological topics.</p> <p>14 Q. And did you make this presentation?</p> <p>15 A. Many times, yes.</p> <p>16 Q. The -- the bottom of the first page has --</p> <p>17 looks like a date of 11.1.12, which looks like to me</p> <p>18 to be November 2012, and the second page has got a</p> <p>19 date reference in the slide of winter 2013.</p> <p>20 Do you have -- do you know when the</p> <p>21 presentation was made?</p> <p>22 A. Well, like I said, I made it many times.</p> <p>23 The way the tour was scheduled with APG dictating</p> <p>24 where I went, I had a winter tour and I had a spring</p> <p>25 tour or a late '12 tour, early '13 tour as it turned</p>	<p style="text-align: right;">Page 88</p> <p>1 dramatic change in all of the shale plays in 2006,</p> <p>2 particularly the Barnett, which was already</p> <p>3 established. But it was that in my estimation --</p> <p>4 this is my interpretation of history -- that we did</p> <p>5 not have any clue on how to complete horizontal shale</p> <p>6 wells prior to the development of the isolated</p> <p>7 multi-stage hydraulic fracturing process and we</p> <p>8 didn't do that prior to 2006.</p> <p>9 Q. But that understanding of that process you</p> <p>10 just described occurred in 2006?</p> <p>11 A. I wouldn't say the understanding of it.</p> <p>12 The advent of the technology. I don't think we</p> <p>13 understood how, you know, significant it was until</p> <p>14 you start getting data such as this that's presented</p> <p>15 and hard to argue.</p> <p>16 Q. Got you. Let me turn your attention to</p> <p>17 Slide No. 7.</p> <p>18 A. Okay.</p> <p>19 Q. If you were describing what this chart on</p> <p>20 this slide shows, what does it show?</p> <p>21 A. It shows the Gulf Coast and part of</p> <p>22 Maverick Basin components of the Eagle Ford shale</p> <p>23 trend with the respective structural features that</p> <p>24 helped define the distribution of the Eagle Ford.</p> <p>25 Q. Let me turn your attention to Slide 13.</p>
<p style="text-align: right;">Page 87</p> <p>1 out was basically the winter, all of that.</p> <p>2 So, anyway. So, this was the -- the</p> <p>3 November tour, then I had a subsequent tour in</p> <p>4 January, February.</p> <p>5 Q. Okay.</p> <p>6 A. One east, one west.</p> <p>7 Q. I just want to ask you a question about</p> <p>8 just a couple, three of these slides. On Slide</p> <p>9 No. 2 --</p> <p>10 A. Okay.</p> <p>11 Q. You have several bullets about the brief</p> <p>12 history of shale exploration, and the last bullet</p> <p>13 says, "In 2006, the use of isolated multi-stage</p> <p>14 completions was proven to be successful, which was</p> <p>15 the true game-changer for horizontal drilling and</p> <p>16 shale reservoirs."</p> <p>17 Is that something that was publicly</p> <p>18 known in 2006?</p> <p>19 MR. BEITER: Objection. Form.</p> <p>20 Q. (BY MR. FLEGLE) Or is this something that</p> <p>21 you knew and the people in the industry knew but it</p> <p>22 really wasn't generally known?</p> <p>23 A. Game-changers aren't usually understood</p> <p>24 until after the fact. And if you look at the next</p> <p>25 slide you can see -- after the fact you can see a</p>	<p style="text-align: right;">Page 89</p> <p>1 A. There will be a test on that. You have to</p> <p>2 tell me what I just told you because I don't think</p> <p>3 are you understood it at all. I'm sorry. I'm not</p> <p>4 supposed to be flippant, am I?</p> <p>5 Q. Do you see Slide 13?</p> <p>6 A. I do.</p> <p>7 Q. That's the Hawkville field, which is --</p> <p>8 which is the field that includes McMullen and LaSalle</p> <p>9 Counties. Right?</p> <p>10 A. That's correct.</p> <p>11 Q. And it's in late 2008 is when this map</p> <p>12 depicts the acreage. Right?</p> <p>13 MR. BEITER: Objection. Form.</p> <p>14 A. It is a very broad map, I acknowledge that.</p> <p>15 There's more control than exists, but these were the</p> <p>16 first two wells that we drilled, yes.</p> <p>17 Q. (BY MR. FLEGLE) All right. And the map</p> <p>18 says, "Fall 2008 Petrohawk acreage position," and</p> <p>19 it's got the squiggly line, approximately 160,000 net</p> <p>20 acres.</p> <p>21 Now, as of late 2008 were all those</p> <p>22 160,000 net acres in the Petrohawk Energy name?</p> <p>23 A. I couldn't tell you. I don't know if we</p> <p>24 had assigned those leases that First Rock had taken</p> <p>25 into Petrohawk at the time or not because you had a</p>


23 (Pages 86 to 89)

<p style="text-align: right;">Page 90</p> <p>1 very broad date there. So, I don't know when it all 2 occurred.</p> <p>3 Q. Okay. And in terms of the Petrohawk Energy 4 STS-1H, up until the time of the first production in 5 October 2008 was that well listed as First Rock 6 operator?</p> <p>7 A. It was.</p> <p>8 Q. And then how about the Dora Martin 1H? Up 9 until first production in January 2009 was it listed 10 as First Rock operator?</p> <p>11 A. Again, up until when, I'm not exactly sure. 12 The normal process for changing an operator is 13 through the filing of the completion papers with the 14 Railroad Commission, and at that time you have the 15 opportunity to change the name of the operator. 16 That's probably when we did it. So, if that's what 17 the completion papers were filed, then that's when it 18 occurred. It probably wasn't actually at first 19 production but shortly after that.</p> <p>20 Q. Let me ask you about Slide 41.</p> <p>21 A. Okay.</p> <p>22 Q. Slide 41 there says, "3D seismic data 23 critical to a successful development program." 24 Am I correct in reading that the two 25 main counties that are on this slide are LaSalle and</p>	<p style="text-align: right;">Page 92</p> <p>1 The Eagle Ford fracs like a dream." 2 Was that your view in July 2009?</p> <p>3 A. In a very broad-brush statement, yes. 4 Q. And then in the next paragraph the 5 statement is made, "Certainly the Eagle Ford is more 6 amenable to drilling and completion work than its 7 pricklier cousin. Unlike the Haynesville, the Eagle 8 Ford does not require large volumes of high-strength 9 propanant." 10 Was that your view in July 2009?</p> <p>11 A. It was. It was still being formulated. I 12 think we had pumped a little bit of what's called 13 resin-coated sand in the Eagle Ford, but we had 14 concluded that it probably didn't require it and we 15 pumped regular -- what we call white sand. So, yes. 16 Q. And then in the next paragraph, the writer 17 in the article says, "The company," which I believe 18 she's referring to Petrohawk Energy, "believes 19 potential estimated ultimate recoveries of Eagle Ford 20 horizontal wells will likely fall between 4 and 7 21 billion cubic feet equivalent apiece." And then it 22 says, "Drilling costs are plummeting. Petrohawk's 23 initial horizontal tests cost \$12 million and took 24 more than 75 days to drill while its latest well was 25 drilled for \$4 and a half million in just 22 days."</p>
<p style="text-align: right;">Page 91</p> <p>1 McMullen?</p> <p>2 A. Yes. Live Oak is the one to the -- to the 3 east.</p> <p>4 Q. To the east? And these lands are in large 5 part -- I'm sorry. The acreage that is depicted 6 within the blue line is in large part, if not in 7 total, on the South Texas Syndicate mineral interest, 8 is it not?</p> <p>9 A. Oh, no. I wouldn't even say -- it might be 10 half. That -- that block outlined in blue is 11 probably on the order of 200 to 250,000 acres, I 12 would guess. I could be wrong, but it's -- it's -- 13 it's not certainly all South Texas Syndicate. It is 14 a good portion of it.</p> <p>15 Q. And one last -- one last exhibit for you, 16 Exhibit 623. This is -- this is an article by a 17 writer, Peggy Williams, in the Oil and Gas Investor, 18 July 1, 2009. And I wanted to turn your attention to 19 the third page. And about, oh, 4 inches down there 20 are some quotes. You see at the first -- the quote 21 that starts "The Eagle Ford's carbonate"? 22 A. Yes, I see that.</p> <p>23 Q. "The Eagle Ford's carbonate content is 24 70 percent in some places and clay content is very 25 low, says Stoneburner. It makes completions easier.</p>	<p style="text-align: right;">Page 93</p> <p>1 Are -- is it your view here in this 2 deposition today that that statement about the 4 and 3 a half million was just flat wrong?</p> <p>4 A. No, no. Now it's apparent to me. It was 5 drilled for \$4 and a half million. It wasn't drilled 6 and completed for \$4 and a half million. The 7 completion -- as I said, completion cost is generally 8 about 60 percent of the total cost, both fracture 9 stimulation, surface equipment, such as that. So, 10 no, that is a consistent statement of -- call it four 11 or \$5 million to drill a well. We actually got those 12 drilling days down to, you know, probably in the low 13 teens. It doesn't take a lot of the cost off. You 14 know, the spread rate is probably \$75,000 a day, 15 hundred thousand dollars a day maybe. So, if you 16 take another eight days off of that you might, you 17 know, take a little bit more off of it. But that -- 18 that is where that statement was attributable to. 19 The drilling cost was plus or minus \$5 million. 20 Q. And the next sentence has a quote, "We have 21 eliminated a host of cost such as drilling pilot 22 holes and setting intermediate casing. The pressure 23 is not high and these are not troublesome rocks to 24 drill." 25 Was that your view in July 2009?</p>

24 (Pages 90 to 93)

<div>Page 94</div> <div><div>1A. Generally speaking, yes.</div><div>2Q. And then the next paragraph -- and I'm just</div><div>3about through here -- the writer says, "The sharply</div><div>4lower drilling and completion costs have immediate</div><div>5effects on the play's metrics and the quote is, 'We</div><div>6are drilling some \$5 million for 5 BCFE or more. The</div><div>7economics are off the chart.'"</div><div>8Was that your view of the Eagle Ford</div><div>9wells in July 2009?</div><div>10A. Well, again, if -- if -- if there was an</div><div>11implication that we drilled and completed these wells</div><div>12for 5 million, that was an improper implication. We</div><div>13didn't drill them that cheaply. Other than that,</div><div>14it's accurate.</div><div>15Q. And in your view back in July 2009 the</div><div>16economics were off the chart?</div><div>17A. Oh, I mean, I'm talking to a reporter,</div><div>18okay? It's not a lie. It's good economics.</div><div>19MR. FLEGLE: I'll pass the witness.</div><div>20MR. NETTLES: Let's take a short</div><div>21break.</div><div>22MR. BEITER: Let's take a break.</div><div>23VIDEOGRAPHER: Off the record. The</div><div>24time is 12:12.</div><div>25(Recess from 12:12 p.m. to 12:21 p.m.)</div></div>	<div>Page 96</div> <div><div>1thought about it, we might have driven costs down to</div><div>2that low for a period of time. They didn't stay</div><div>3there because we drilled longer laterals, we did</div><div>4this, we did that. Well costs -- you know, service</div><div>5costs went through the roof. So, anyway, that's my</div><div>6recollection.</div><div>7MR. FLEGLE: Okay. Very good. Thank</div><div>8you very much.</div><div>9MR. BEITER: Thank you.</div><div>10VIDEOGRAPHER: Off the record at</div><div>1112:23.</div><div>12(Whereupon the deposition was adjourned.)</div><div>13</div><div>14</div><div>15</div><div>16</div><div>17</div><div>18</div><div>19</div><div>20</div><div>21</div><div>22</div><div>23</div><div>24</div><div>25</div></div>
<div>Page 95</div> <div><div>1VIDEOGRAPHER: On the record. The</div><div>2time is 12:21.</div><div>3MR. FLEGLE: We're going to reserve</div><div>4our questions for Mr. Stoneburner until the time of</div><div>5trial. Thank you very much, Mr. Stoneburner.</div><div>6MR. NETTLES: I have no questions.</div><div>7A. Do I have an opportunity to kind of add an</div><div>8addendum to the last question that was posed or --</div><div>9MR. FLEGLE: I mean, sure.</div><div>10A. It's regarding the well cost.</div><div>11MR. FLEGLE: Yeah. I'll tell you</div><div>12what. If you've got the tape, that's fine. Or you</div><div>13can put it on the record here.</div><div>14A. We have discussed it numerous times, the 5</div><div>15million-dollar well cost that I kind of dismissed as</div><div>16unfeasible.</div><div>17The more I thought about it in the</div><div>18time frame of 2009 before service costs went where</div><div>19they were and before we drilled longer laterals and</div><div>20before we tightened up our -- our purse, all I'm</div><div>21going to say is that the more I thought about it it</div><div>22probably was -- maybe we drilled some wells for that</div><div>23and the thought was we can continue that. Again,</div><div>24this is all recollection. But I don't want to -- I</div><div>25dismissed it out of hand early on. The more I</div></div>	<div>Page 97</div> <div><div>1CHANGES AND SIGNATURE</div><div>2PAGE LINE CHANGE REASON</div><div>3</div><div>4</div><div>5</div><div>6</div><div>7</div><div>8</div><div>9</div><div>10</div><div>11</div><div>12</div><div>13</div><div>14</div><div>15</div><div>16</div><div>17</div><div>18</div><div>19</div><div>20</div><div>21</div><div>22</div><div>23</div><div>24</div><div>25</div></div>

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<p style="text-align: right;">Page 98</p> <p>1 I, RICHARD STONEBURNER, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5 _____</p> <p>6 RICHARD STONEBURNER</p> <p>7</p> <p>8 THE STATE OF _____)</p> <p>9 COUNTY OF _____)</p> <p>10</p> <p>11 Before me, _____, on this</p> <p>12 day personally appeared RICHARD STONEBURNER, known to</p> <p>13 me or proved to me on the oath of _____</p> <p>14 or through _____ (description of</p> <p>15 identity card or other document) to be the person</p> <p>16 whose name is subscribed to the foregoing instrument</p> <p>17 and acknowledged to me that he/she executed the same</p> <p>18 for the purpose and consideration therein expressed.</p> <p>19 Given under my hand and seal of office on this</p> <p>20 ____ day of _____ 2014.</p> <p>21</p> <p>22 _____</p> <p>23 NOTARY PUBLIC IN AND FOR</p> <p>24 THE STATE OF _____</p> <p>25 My Commission Expires: _____</p>	<p style="text-align: right;">Page 100</p> <p>1 taken, the following includes all parties of record</p> <p>2 and the amount of time used by each party at the time</p> <p>3 of the deposition:</p> <p>4 Jim L. Flegle (2h22m)</p> <p>5 Attorney for Plaintiff</p> <p>6</p> <p>7 That a copy of this certificate was served on</p> <p>8 all parties shown herein on _____</p> <p>9 and filed with the Clerk.</p> <p>10 I further certify that I am neither counsel for,</p> <p>11 related to, nor employed by any of the parties in the</p> <p>12 action in which this proceeding was taken, and</p> <p>13 further that I am not financially or otherwise</p> <p>14 interested in the outcome of this action.</p> <p>15 Further certification requirements pursuant to</p> <p>16 Rule 203 of the Texas Code of Civil Procedure will be</p> <p>17 complied with after they have occurred.</p> <p>18 Certified to by me on this 4th day of</p> <p>19 February, 2014.</p> <p>20</p> <p>21 </p> <p>22 Shauna Foreman, CSR</p> <p>23 Texas CSR 3786</p> <p>24 Expiration: 12/31/2014</p> <p>25 Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> <p>Firm No. 631</p>
<p style="text-align: right;">Page 99</p> <p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT</p> <p>3)</p> <p>4 vs.) BEXAR COUNTY, TEXAS</p> <p>5)</p> <p>6 JP MORGAN CHASE BANK, N.A.)</p> <p>7 INDIVIDUALLY/CORPORATELY)</p> <p>8 AND AS TRUSTEE OF THE)</p> <p>9 SOUTH TEXAS SYNDICATE)</p> <p>10 TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT</p> <p>11</p> <p>12</p> <p>13 REPORTER'S CERTIFICATE</p> <p>14 ORAL VIDEOTAPED DEPOSITION OF RICHARD STONEBURNER</p> <p>15 February 4, 2014</p> <p>16</p> <p>17 I, Shauna Foreman, Certified Shorthand Reporter</p> <p>18 in and for the State of Texas, hereby certify to the</p> <p>19 following:</p> <p>20 That the witness, RICHARD STONEBURNER, was duly</p> <p>21 sworn and that the transcript of the deposition is a</p> <p>22 true record of the testimony given by the witness;</p> <p>23 That the deposition transcript was duly</p> <p>24 submitted on _____ to the witness or to</p> <p>25 the attorney for the witness for examination,</p> <p>signature, and return to me by</p> <p>_____.</p> <p>That pursuant to information given to the</p> <p>deposition officer at the time said testimony was</p>	<p style="text-align: right;">Page 101</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203</p> <p>2</p> <p>3 The original deposition was/was not returned to</p> <p>4 the deposition officer on _____.</p> <p>5 If returned, the attached Changes and Signature</p> <p>6 page(s) contain(s) any changes and the reasons</p> <p>7 therefor.</p> <p>8 If returned, the original deposition was</p> <p>9 delivered to Jim L. Flegle, Custodial Attorney.</p> <p>10 \$_____ is the deposition officer's charges to</p> <p>11 the Plaintiff for preparing the original deposition</p> <p>12 and any copies of exhibits;</p> <p>13 The deposition was delivered in accordance with</p> <p>14 Rule 203.3, and a copy of this certificate, served on</p> <p>15 all parties shown herein, was filed with the Clerk.</p> <p>16 Certified to by me on this _____ day of</p> <p>17 _____, 2014.</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22 _____</p> <p>23 Shauna Foreman, CSR</p> <p>24 Texas CSR 3786</p> <p>25 Expiration: 12/31/2014</p> <p>Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p>

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Transcript of the Testimony of
Paschall Tosch

Date:

February 11, 2014

Case:

John K. Meyer, et al v. JP Morgan Chase, et al

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JOHN K. MEYER, ET AL) IN THE DISTRICT COURT
)
vs.) BEXAR COUNTY, TEXAS
)
JP MORGAN CHASE BANK, N.A.)
INDIVIDUALLY/CORPORATELY)
AND AS TRUSTEE OF THE)
SOUTH TEXAS SYNDICATE)
TRUST and GARY P. AYMES) 225TH JUDICIAL DISTRICT

PASCHALL TOSCH

February 11, 2014

ORAL VIDEOTAPED DEPOSITION OF PASCHALL TOSCH,
produced as a witness at the instance of the
Plaintiff and duly sworn, was taken in the
above-styled and numbered cause on February 11, 2014,
from 1:01 p.m. to 2:29 p.m., before Shauna Foreman,
Certified Shorthand Reporter in and for the State of
Texas, reported by computerized stenotype machine at
the offices of Hunton & Williams, 700 Louisiana,
Suite 4200, Houston, Texas, pursuant to the Texas
Rules of Civil Procedure and the provisions stated on
the record or attached hereto.

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Justin Dickenson, Videographer

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VIDEOGRAPHER: The date is

February 11, 2014. The time is 1:01 p.m. Beginning

of the deposition of Paschall Tosch. We are on the

record.

PASCHALL TOSCH,

having been first duly sworn, testified as follows:

EXAMINATION

Q. (BY MR. CHRISTIAN) Mr. Tosch, could I ask

you to state your name for the record, sir?

A. Yes. It's Paschall Tosch. Full legal name

is actually William Paschall Tosch. I go by

Paschall.

Q. Thank you. Have you ever been deposed

before, Mr. Tosch?

A. Once before.

Q. And what was that in connection with?

A. It was related to a wrongful or disputed

termination of an employee with a client.

Q. You know that we're here today on behalf of

a lawsuit involving the South Texas Syndicate Trust,

correct?

A. Correct.

Q. This prior deposition had absolutely

nothing to do with the trust department or the STS

trust, correct?

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A. Did not.

Q. And how long ago were you deposed? Do you

recall?

A. Sometime in the last three or four years.

I don't -- don't recall specifically.

Q. I'll just quickly go over the ground rules

of a deposition to probably remind you what you

already know.

Just a couple things that will sort of

help the deposition go smoothly. The first -- and

you're doing a very good job at this already -- is

that when I ask questions, I would appreciate it if

you could answer orally so that the court reporter

can record it.

Do you understand?

A. I do.

Q. And the second thing is that I'll be asking

questions and you'll be giving and answers and

sometimes it will be going back and forth like a

conversation, and I'll ask that you try and refrain

from talking over me and I'll try and do the same for

you because if we don't do that sometimes it can get

jumbled in the record and it just looks a little odd,

okay?

A. Okay.

2 (Pages 2 to 5)

Page 6	Page 8
<p>1 Q. Can you tell me, sir, what your current 2 position at JP Morgan is?</p> <p>3 A. You bet. I serve as the co-head of JP 4 Morgan's oil and gas investment banking group 5 responsible for our activities in the United States.</p> <p>6 Q. And how long have you been the co-head of 7 JP Morgan's oil and gas investment group in the 8 United States?</p> <p>9 A. You know, about a year. It was probably 10 March of 2013 when I took on that responsibility.</p> <p>11 MR. EICHMAN: Just -- just so we're 12 clear, I think he said "oil and gas investment 13 banking." You said just "investment group."</p> <p>14 Q. (BY MR. CHRISTIAN) Fair point. Is that 15 right?</p> <p>16 A. Yes, oil and gas investment banking group.</p> <p>17 Q. So, you say that you were put into this 18 position around March of 2013; is that right?</p> <p>19 A. Correct.</p> <p>20 Q. And what did you do before that?</p> <p>21 A. I had been a senior client exec or coverage 22 banker with the oil and gas group for the last 20 23 plus years.</p> <p>24 Q. You said a senior client executive or 25 coverage --</p>	<p>1 one or two meetings joining to talk about an idea; 2 but, no, I had no meaningful role at all.</p> <p>3 Q. Do you recall the substance of any of those 4 meetings?</p> <p>5 A. I don't.</p> <p>6 Q. Do you recall who was at any of those 7 meetings?</p> <p>8 A. I don't.</p> <p>9 Q. Do you recall when those meetings were?</p> <p>10 A. I definitely do not, no.</p> <p>11 Q. Can you give me a ballpark estimate about 12 how long they might have been?</p> <p>13 MR. EICHMAN: Excuse me. Object to 14 the form.</p> <p>15 A. Yeah, it would be speculating. I'm not -- 16 I don't know.</p> <p>17 Q. (BY MR. CHRISTIAN) And you don't remember 18 anyone else that was at any of those meetings?</p> <p>19 A. I do not, no.</p> <p>20 Q. Do you remember anything about the 21 substance of those meetings?</p> <p>22 A. I don't.</p> <p>23 Q. Did you ever provide coverage -- coverage 24 services for Pioneer Natural Resources?</p> <p>25 A. I have not, no.</p>
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<p>1 A. Coverage banker. Basically an individual 2 responsible for covering clients -- the firm's 3 clients within the oil and gas industry.</p> <p>4 Q. And what do you mean by "covering"?</p> <p>5 A. An investment banking coverage banker is 6 essentially responsible for delivering products and 7 services to that client, both in the context of what 8 an investment bank would normally do, which is 9 providing capital, arranging capital in the public 10 debt market, the public equity market, the private 11 equity market, private debt market, and providing M&A 12 advice to clients on transactions.</p> <p>13 Q. And, more specifically, which clients were 14 under your purview during I guess the last 10 years?</p> <p>15 A. Oh, gosh. I've had, I mean, typically 16 probably 30 clients that would be assigned, you know, 17 that I would have responsibility for. Names change, 18 go in and out from time to time, but --</p> <p>19 Q. Was Petrohawk ever a client of yours?</p> <p>20 A. I'm familiar with the company, but I've 21 never covered -- I did not cover them as the primary 22 coverage banker.</p> <p>23 Q. Did you assist anyone else in covering 24 Petrohawk?</p> <p>25 A. I did not. I potentially could have had</p>	<p>1 Q. Did you ever assist anyone with providing 2 coverage services for Pioneer?</p> <p>3 A. No, I did not.</p> <p>4 Q. Did you ever provide any coverage services 5 for Marubeni, a Japanese company?</p> <p>6 A. No.</p> <p>7 (Begin confidential portion.)</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

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<p style="text-align: right;">Page 16</p> <p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22 (End confidential portion.)</p> <p>23 Q. (BY MR. CHRISTIAN) We were talking about</p> <p>24 Murphy Oil. They have been a client of yours for 10</p> <p>25 plus years; is that correct?</p>	<p style="text-align: right;">Page 18</p> <p>1 MR. EICHMAN: Object to the form.</p> <p>2 A. I would be speculating.</p> <p>3 Q. (BY MR. CHRISTIAN) Do you know if it would</p> <p>4 be over a hundred million?</p> <p>5 A. It would be over a hundred.</p> <p>6 Q. Do you know if it would be over 500</p> <p>7 million?</p> <p>8 A. I don't recall. I don't know.</p> <p>9 Q. Do you know what other banks were involved</p> <p>10 with that revolving credit line?</p> <p>11 A. I don't. I know that as is customary with</p> <p>12 all companies in this business, there are multiple</p> <p>13 banks. I would estimate it's that same range,</p> <p>14 between eight and 20, which is pretty common.</p> <p>15 Q. Do you know how much credit JP Morgan</p> <p>16 specifically extended to Murphy as part of that</p> <p>17 banking group?</p> <p>18 A. I don't.</p> <p>19 Q. Do you have an estimate on that?</p> <p>20 A. Again, I would be speculating.</p> <p>21 Q. Do you know if JP Morgan's share would have</p> <p>22 been over a hundred million?</p> <p>23 A. I'm not certain.</p> <p>24 Q. Do you know if it would have been over 50</p> <p>25 million?</p>
<p style="text-align: right;">Page 17</p> <p>1 A. That's correct.</p> <p>2 Q. And what have you done for Murphy Oil</p> <p>3 during that time?</p> <p>4 A. We serve as their lead bank from a</p> <p>5 commercial -- from a lending standpoint. We agent</p> <p>6 their revolving credit facility. We have executed at</p> <p>7 least one public debt offering for them, and we</p> <p>8 advised the Murphy Oil board last year on the</p> <p>9 spin-off of their Murphy USA retail business.</p> <p>10 MR. EICHMAN: Just so we know for</p> <p>11 purposes of the record, is that latter transaction a</p> <p>12 public transaction?</p> <p>13 A. It is. It's public. It was announced and</p> <p>14 completed in the fall of last year.</p> <p>15 Q. (BY MR. CHRISTIAN) And is Murphy Oil a</p> <p>16 public company?</p> <p>17 A. It is, yes.</p> <p>18 Q. Okay. You -- you indicated that JP Morgan</p> <p>19 has served as the lead bank with a revolving line of</p> <p>20 credit; is that right?</p> <p>21 A. Correct.</p> <p>22 Q. Do you know how much that revolving line of</p> <p>23 credit is for?</p> <p>24 A. I don't recall.</p> <p>25 Q. Do you have a -- an estimate?</p>	<p style="text-align: right;">Page 19</p> <p>1 MR. EICHMAN: Object to the form.</p> <p>2 A. Yeah, I would be speculating.</p> <p>3 Q. (BY MR. CHRISTIAN) You also indicated that</p> <p>4 you assisted Murphy -- pardon me.</p> <p>5 Would the amount of credit that JP</p> <p>6 Morgan has provided to Murphy Oil be reflected in JP</p> <p>7 Morgan's documents?</p> <p>8 A. Yes.</p> <p>9 Q. And that would be true for the last 10</p> <p>10 years?</p> <p>11 A. I'm not sure how long we keep that data,</p> <p>12 but certainly for an extended period of time, yes.</p> <p>13 Q. Okay. And you indicated that JP Morgan has</p> <p>14 assisted Murphy Oil with a public debt offering; is</p> <p>15 that right?</p> <p>16 A. Correct.</p> <p>17 Q. Can you tell me what that entailed?</p> <p>18 A. You know, I don't recall the size or the</p> <p>19 exact timing. I do -- I just recall we've done one</p> <p>20 in the last couple of years for them.</p> <p>21 Q. And you also indicated that JP Morgan had</p> <p>22 advised Murphy Oil on a spin-off regarding Murphy</p> <p>23 Oil's retail business; is that right?</p> <p>24 A. It's basically gas stations that they have</p> <p>25 on Wal-Mart parking lots. You may have seen them.</p>

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<p style="text-align: right;">Page 20</p> <p>1 So, it's a retail gasoline distribution business.</p> <p>2 Q. Okay. And they sold that business off?</p> <p>3 A. They spun it off to their shareholders in a</p> <p>4 tax-free spin-off.</p> <p>5 Q. Okay. And JP Morgan assisted them with</p> <p>6 that?</p> <p>7 A. Yes.</p> <p>8 Q. And how long did that process take?</p> <p>9 A. You know, it lasted over probably about a</p> <p>10 two-year period from beginning to end.</p> <p>11 Q. Do you recall the value of that deal?</p> <p>12 A. You know, it all runs together. We could</p> <p>13 look on the screen and see what it's worth today, but</p> <p>14 it's, you know, a couple billion dollars.</p> <p>15 Q. Do you know who acts as the coverage</p> <p>16 executive for Petrohawk at JP Morgan?</p> <p>17 MR. EICHMAN: Currently?</p> <p>18 Q. (BY MR. CHRISTIAN) Well, during the last 10</p> <p>19 years.</p> <p>20 A. I don't recall. They probably had several.</p> <p>21 I never covered them. I don't recall who -- who was</p> <p>22 involved.</p> <p>23 Q. But that would be reflected in JP Morgan's</p> <p>24 documents, obviously?</p> <p>25 A. It would, yes.</p>	<p style="text-align: right;">Page 22</p> <p>1 responsibility and then I cover them from an</p> <p>2 investment banking perspective here in the U.S.</p> <p>3 Q. And how do you spell Fuessel?</p> <p>4 A. F-U-E-S-S-E-L, I think. That's pretty</p> <p>5 close. It may not be perfect.</p> <p>6 Q. Do you know where Mr. Fuessel is located?</p> <p>7 A. He -- yes. He is in our Houston office.</p> <p>8 Q. And you mentioned you did something for</p> <p>9 Reliance USA yourself as part of the investment</p> <p>10 banking side of things; is that right?</p> <p>11 A. Correct.</p> <p>12 Q. Can you describe what you personally have</p> <p>13 done with regard to Reliance USA?</p> <p>14 A. Very little to this point. My role has</p> <p>15 largely been over -- I probably met Walter, I don't</p> <p>16 know -- who is the CEO -- within the last three</p> <p>17 years, I would say. I don't recall exactly when.</p> <p>18 And my focus has been primarily visiting with him to</p> <p>19 try to understand statistically from an acquisition</p> <p>20 standpoint, you know, where he might be interested in</p> <p>21 expanding his business.</p> <p>22 Q. Did you assist Reliance USA with any</p> <p>23 acquisitions in -- of mineral estates in south Texas?</p> <p>24 A. No.</p> <p>25 Q. Can you tell me what you did assist</p>
<p style="text-align: right;">Page 21</p> <p>1 Q. And did you act as the coverage executive</p> <p>2 for Reliance Industries, Ltd.?</p> <p>3 A. No, no.</p> <p>4 Q. Do you know who did?</p> <p>5 A. Give me the name of the company again.</p> <p>6 Q. Reliance Industries, Ltd.</p> <p>7 A. Is that a foreign company or U.S. company</p> <p>8 or --</p> <p>9 Q. That is a foreign company. It's a company</p> <p>10 based in India is my understanding.</p> <p>11 A. Okay. I do not cover it. I'm not sure who</p> <p>12 the coverage banker is for Reliance.</p> <p>13 MR. EICHMAN: For Reliance Industries,</p> <p>14 Ltd.?</p> <p>15 THE WITNESS: Correct.</p> <p>16 Q. (BY MR. CHRISTIAN) Do you know who might</p> <p>17 act as a coverage executive for any other Reliance</p> <p>18 entities that are related to the Indian parent</p> <p>19 company?</p> <p>20 A. The -- the only one that I have some</p> <p>21 knowledge of is Reliance USA.</p> <p>22 Q. And who acts as the coverage executive for</p> <p>23 Reliance USA?</p> <p>24 A. The -- Ryan Fuessel, who works within the</p> <p>25 JP Morgan Chase commercial bank, has primary coverage</p>	<p style="text-align: right;">Page 23</p> <p>1 Reliance USA with specifically as far as the services</p> <p>2 you provided?</p> <p>3 A. I've really talked to him about two or</p> <p>4 three different ideas -- spent time with him trying</p> <p>5 to understand what he would like to do next in terms</p> <p>6 of growing his business and then talked with him</p> <p>7 about some different ideas of companies that, you</p> <p>8 know, might be willing to sell assets, things like</p> <p>9 that.</p> <p>10 Q. Do you know whether anyone at JP Morgan has</p> <p>11 assisted either Reliance USA or Reliance Industries,</p> <p>12 Ltd., which is the Indian parent company, with</p> <p>13 acquisitions of mineral acreage in south Texas?</p> <p>14 A. Not to my knowledge.</p> <p>15 Q. Do you know who would know?</p> <p>16 MR. EICHMAN: Object to the form of</p> <p>17 the question. He just answered the question.</p> <p>18 Q. (BY MR. CHRISTIAN) Well, do you know that</p> <p>19 nobody at JP Morgan assisted either of those Reliance</p> <p>20 entities with acquisition of mineral acreage in south</p> <p>21 Texas?</p> <p>22 A. I have no knowledge. I certainly did not,</p> <p>23 and I have no knowledge that anyone else has. I</p> <p>24 can't speculate that someone might. I just don't</p> <p>25 know.</p>

5 (Pages 20 to 23)

<p style="text-align: right;">Page 24</p> <p>1 Q. Would you be in a position where it would 2 be likely that you would know if somebody had 3 assisted one of the two Reliance Industry -- 4 A. No, I would not know. 5 Q. You would not know? 6 A. No. 7 Q. Do you know who would know? 8 A. I don't, no. 9 MR. EICHMAN: And you're including 10 Reliance U.S. and Reliance Industries, Ltd.? 11 MR. CHRISTIAN: Yes. 12 A. I don't -- I don't know. 13 MR. EICHMAN: Are you representing to 14 this witness that Reliance Industries, Ltd. has 15 acquired interests in south Texas? 16 MR. CHRISTIAN: I'm just asking what 17 he knows. 18 Q. (BY MR. CHRISTIAN) Can you tell me where 19 your physical office is located here in Houston? 20 A. In the old Texas Commerce Bank building. 21 Q. And what's the address? 22 A. It's got about three, but mine is on 23 Travis. 24 Q. And how long have you been there? 25 A. In that building?</p>	<p style="text-align: right;">Page 26</p> <p>1 A. I do not. 2 Q. And can you tell me again what specific JP 3 Morgan entity that you're actually with? 4 A. Sure. I work for JP Morgan Securities, 5 which is the investment banking arm of JP Morgan 6 Chase. 7 Q. And you're here today to testify about a 8 couple of interrogatories. Are you aware of that? 9 A. Yes. 10 Q. Let me go ahead and hand you what's been 11 previously marked as Exhibit 841. 12 (Exhibit 841 marked) 13 A. (Witness reviews the document.) 14 Q. (BY MR. CHRISTIAN) And before we actually 15 get into the substance of the interrogatories, is 16 your testimony here today intended to be on behalf of 17 JP Morgan as a whole or is it narrowed to the JP 18 Morgan Securities entity that we just discussed? 19 MR. EICHMAN: Object to the form. 20 He's been noticed as Paschall Tosch. 21 Q. (BY MR. CHRISTIAN) Well, that's all right. 22 We're going to talk about some interrogatories today, 23 and I guess what I want to know is whether or not 24 you're testifying on behalf of one specific JP Morgan 25 entity when you give your answers or are you</p>
<p style="text-align: right;">Page 25</p> <p>1 Q. Yes. 2 A. We moved from the JP Morgan Chase Tower 3 there sometime in the last five to eight years. I 4 don't recall when we moved. 5 Q. And where was the JP Morgan Chase Tower at? 6 A. Just across the street from our current 7 building. 8 Q. And have you ever shared office space here 9 in Houston with JP Morgan's trust department? 10 A. No. 11 Q. Do you know where their office is in 12 Houston? 13 A. I do not. 14 Q. Do you know whether in Dallas JP Morgan 15 investment banking shares office space with JP Morgan 16 trust? 17 A. I don't know. I'm not aware they do, but I 18 don't know. 19 MR. EICHMAN: Just so we're clear, 20 when you say "share office space" are you saying, 21 like, in the same building? 22 MR. CHRISTIAN: Yes, same address. 23 A. Yeah, I'm not sure. 24 Q. (BY MR. CHRISTIAN) Do you know anyone in JP 25 Morgan's trust department in Texas?</p>	<p style="text-align: right;">Page 27</p> <p>1 testifying on behalf of the larger JP Morgan? We can 2 just do that on a point-by-point basis. That's fine. 3 A. I'm not -- I'm not sure I understand the 4 question. I'll just answer the question truthfully 5 that you asked me to what I know. So... 6 Q. Let me ask you this. 7 A. I don't understand. Maybe in the context 8 of when you get there you can raise the question. 9 Q. Exactly. You are not planning to try and 10 limit your testimony today based on specific 11 corporate divisions at JP Morgan, are you? 12 MR. EICHMAN: Object to the form. 13 That's a completely unfair question. Why don't you 14 ask him some meaningful, substantive questions? 15 MR. CHRISTIAN: I'm happy with the 16 questions that I'm asking, John. 17 MR. EICHMAN: Well, I'm not. On that 18 question, we object to the form of the question. Why 19 don't you just ask him some substantive questions? 20 MR. CHRISTIAN: John, why don't you 21 just let me do the depo and you can make your 22 objections? 23 MR. EICHMAN: Why don't you ask some 24 good questions? 25 MR. CHRISTIAN: Well, you know, I like</p>

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<p>1 the questions I'm asking. Do you really want to</p> <p>2 argue about that?</p> <p>3 MR. EICHMAN: We'll put it to a vote.</p> <p>4 MR. CHRISTIAN: Well, okay.</p> <p>5 Q. (BY MR. CHRISTIAN) For your benefit, all</p> <p>6 I'm trying to do is make sure I'm getting all of your</p> <p>7 knowledge, and I will ask you that when I do ask the</p> <p>8 question.</p> <p>9 A. I just don't really understand the</p> <p>10 question. I apologize.</p> <p>11 Q. That's -- that's fine. Pardon me.</p> <p>12 Have you seen these interrogatories</p> <p>13 before?</p> <p>14 A. I saw them this morning for the first time.</p> <p>15 Q. Okay. For the first time this morning?</p> <p>16 A. Yes.</p> <p>17 Q. And you can see that you have been</p> <p>18 identified in Interrogatory Nos. 1 and 2 as an</p> <p>19 employee who can testify about the supplemental</p> <p>20 responses as those responses relate to Reliance</p> <p>21 Industries, Ltd., correct?</p> <p>22 MR. EICHMAN: You're talking about on</p> <p>23 1 and 2?</p> <p>24 MR. CHRISTIAN: Yes.</p> <p>25 A. Correct.</p>	<p>1 A. It is correct.</p> <p>2 Q. Are you aware that Pioneer Natural</p> <p>3 Resources and Reliance entered into a joint venture</p> <p>4 on certain Eagle Ford mineral interest around June 23</p> <p>5 of 2010?</p> <p>6 A. Yes, it was common knowledge in the</p> <p>7 industry. It was a large transaction.</p> <p>8 Q. Do you recall how you became aware?</p> <p>9 A. Probably when it was announced, but I don't</p> <p>10 recall.</p> <p>11 Q. And the answer indicates that JP Morgan did</p> <p>12 not provide any assistance to Reliance in connection</p> <p>13 with that joint venture; is that right?</p> <p>14 A. That's correct.</p> <p>15 Q. And going toward my earlier questions,</p> <p>16 you're not aware of any JP Morgan entity that</p> <p>17 provided any assistance, are you?</p> <p>18 A. I'm not, but I -- no, I'm not.</p> <p>19 Q. Would you have reason to be aware, given</p> <p>20 your position, of any JP Morgan entity that would</p> <p>21 have provided assistance in connection with the joint</p> <p>22 venture?</p> <p>23 A. Outside of the investment banking coverage</p> <p>24 world I'm in, no.</p> <p>25 Q. Putting aside the investment banking</p>
Page 29	Page 31
<p>1 Q. (BY MR. CHRISTIAN) I'm going to go ahead</p> <p>2 and read into the record Interrogatory No. 1 and the</p> <p>3 supplemental response just so that we have it.</p> <p>4 "Describe with particularity the</p> <p>5 actions and responsibilities undertaken by you in</p> <p>6 connection with the 2010 joint venture between</p> <p>7 Reliance Industries, Ltd. and Pioneer Natural</p> <p>8 Resources concerning Eagle Ford shale property</p> <p>9 interests and identify your officers, directors, or</p> <p>10 employees best suited to testify about the substance</p> <p>11 of these actions." And then the supplemental</p> <p>12 response indicates, "JP Morgan did not undertake any</p> <p>13 actions or responsibilities in connection with the</p> <p>14 2010 joint venture between Reliance Industries, Ltd.</p> <p>15 and Pioneer Natural Resources concerning Eagle Ford</p> <p>16 shale property interests."</p> <p>17 Did I read that accurately, sir?</p> <p>18 A. You did.</p> <p>19 Q. And it indicates below that that a JP</p> <p>20 Morgan employee who can verify the information in</p> <p>21 this response with regard to Reliance is Paschall</p> <p>22 Tosch; is that correct?</p> <p>23 A. That's correct.</p> <p>24 Q. And to your knowledge is the information in</p> <p>25 this supplemental response accurate?</p>	<p>1 coverage world, is it possible that there is another</p> <p>2 JP Morgan entity that could have provided some</p> <p>3 services in connection with that joint venture?</p> <p>4 A. I wouldn't be aware or have any knowledge.</p> <p>5 So...</p> <p>6 Q. And you indicated that you first saw these</p> <p>7 interrogatories this morning; is that right?</p> <p>8 A. That's right.</p> <p>9 Q. Can you tell me, was this the first time</p> <p>10 this morning that you actually discussed the</p> <p>11 questions?</p> <p>12 A. No. The question was posed to me some time</p> <p>13 ago.</p> <p>14 Q. Okay. Do you remember when it was posed to</p> <p>15 you?</p> <p>16 A. Sometime in the last few months.</p> <p>17 Q. Can you tell me what you did to answer the</p> <p>18 question?</p> <p>19 A. It's pretty straightforward. I -- I had no</p> <p>20 knowledge of the transaction and we were certainly</p> <p>21 doing nothing with Reliance, doing nothing with</p> <p>22 Pioneer, to my knowledge.</p> <p>23 Q. Did you do anything to find out whether any</p> <p>24 other branch of JP Morgan might have been doing</p> <p>25 anything?</p>

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<p>1 A. I did not.</p> <p>2 Q. Did you not have any real reason to suspect</p> <p>3 that any part of JP Morgan would be?</p> <p>4 A. No, never gave it a thought.</p> <p>5 Q. Pardon me?</p> <p>6 A. I said I never gave it a thought.</p> <p>7 Q. As we sit here today would you have any</p> <p>8 reason to believe that any JP Morgan entity may have</p> <p>9 been involved in the joint venture?</p> <p>10 A. No.</p> <p>11 Q. If JP Morgan was involved in that joint</p> <p>12 venture, that would be reflected in JP Morgan's</p> <p>13 documents obviously, correct?</p> <p>14 A. Correct.</p> <p>15 Q. So, in preparing to answer this question,</p> <p>16 you used your own knowledge of the industry; is that</p> <p>17 right?</p> <p>18 A. Well, no. I just -- I didn't -- I was not</p> <p>19 involved in any way with the joint venture</p> <p>20 transaction.</p> <p>21 Q. Did you ask around to see if anybody else</p> <p>22 was involved?</p> <p>23 A. No.</p> <p>24 Q. Did you think that you should do that?</p> <p>25 A. No.</p>	<p>1 interests," and it states that "A JP Morgan employee</p> <p>2 who can verify the information in this response is</p> <p>3 Paschall Tosch."</p> <p>4 Have I read that all accurately?</p> <p>5 A. You have, yes.</p> <p>6 Q. To your knowledge, is the supplemental</p> <p>7 response accurate?</p> <p>8 A. It is, yes.</p> <p>9 Q. Are you aware that EOG Resources and</p> <p>10 Reliance Industries, Ltd. negotiating any</p> <p>11 transactions concerning Eagle Ford shale property</p> <p>12 interests?</p> <p>13 A. I am not, no.</p> <p>14 Q. Can you tell me what you did in order to</p> <p>15 determine that this supplemental response was</p> <p>16 accurate?</p> <p>17 A. I've been the coverage banker for EOG for</p> <p>18 many years. We've never had any discussions with EOG</p> <p>19 about any activity in the Eagle Ford.</p> <p>20 Q. And when you say you're the coverage banker</p> <p>21 for EOG, do you recall how long you've been the</p> <p>22 coverage banker for EOG?</p> <p>23 A. 10 plus years. Dating back -- whenever</p> <p>24 they were spun off from Enron, whenever that was.</p> <p>25 Sometime in the last 10 years. I don't recall when.</p>
Page 33	Page 35
<p>1 Q. Can you tell me why not?</p> <p>2 A. My world is focused on raising capital,</p> <p>3 providing advice to our clients on transactions. You</p> <p>4 know, there's nothing else that I would or should be</p> <p>5 involved with.</p> <p>6 Q. Did you talk to Ryan Fuessel about this?</p> <p>7 A. No.</p> <p>8 Q. Did you review any documents?</p> <p>9 A. No.</p> <p>10 Q. Let's go ahead and move on to Interrogatory</p> <p>11 No. 2, which I will again read that into the record</p> <p>12 and then I'll read the supplemental response.</p> <p>13 Interrogatory No. 2 states, "Describe</p> <p>14 with particularity the actions and responsibilities</p> <p>15 undertaken by you in connection with Reliance</p> <p>16 Industries, Ltd.'s investigation of and/or</p> <p>17 negotiation with EOG Resources, Inc. concerning Eagle</p> <p>18 Ford shale property interests and identify your</p> <p>19 officers, directors, or employees best suited to</p> <p>20 testify about the substance of these actions." And</p> <p>21 the supplemental response states that "JP Morgan did</p> <p>22 not undertake any actions or responsibilities in</p> <p>23 connection with Reliance Industries, Ltd.'s</p> <p>24 investigation of and/or negotiation with EOG</p> <p>25 Resources, Inc. concerning Eagle Ford shale property</p>	<p>1 Q. And what have you done during the last 10</p> <p>2 years as the coverage banker for EOG?</p> <p>3 A. Our services have been limited primarily to</p> <p>4 we're the lead bank for a multi-bank credit facility</p> <p>5 just as we described for Murphy and Hunt Oil. We</p> <p>6 have led numerous -- I don't recall how many -- bond</p> <p>7 offerings for EOG, along with each time two or three</p> <p>8 other lead book runners.</p> <p>9 Q. Anything else? Sorry.</p> <p>10 A. And we do -- and we have provided commodity</p> <p>11 hedging to support their risk management program just</p> <p>12 like we have -- as I mentioned with Hunt and with --</p> <p>13 with Murphy.</p> <p>14 Q. And we -- when we discuss JP Morgan being</p> <p>15 the lead banker for a credit line with EOG, do you</p> <p>16 have any knowledge of the amount of the credit</p> <p>17 extended to EOG?</p> <p>18 MR. EICHMAN: Just answer that yes or</p> <p>19 no.</p> <p>20 A. No.</p> <p>21 Q. (BY MR. CHRISTIAN) But that would be</p> <p>22 reflected in JP Morgan's documents, correct?</p> <p>23 A. It would, correct.</p> <p>24 Q. Would you be able to estimate the amount of</p> <p>25 the credit line?</p>

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<p style="text-align: right;">Page 36</p> <p>1 A. I would be speculating if I tried.</p> <p>2 Q. Would you be able to estimate the amount of</p> <p>3 credit that JP Morgan specifically has provided to</p> <p>4 EOG?</p> <p>5 A. No.</p> <p>6 Q. Do you know if it would be more than</p> <p>7 50 million?</p> <p>8 MR. EICHMAN: Object to the form.</p> <p>9 A. I'm not -- it would be in our records.</p> <p>10 MR. EICHMAN: And just for the record,</p> <p>11 EOG is public, isn't it.</p> <p>12 THE WITNESS: It's a large public</p> <p>13 company, yes.</p> <p>14 MR. EICHMAN: Yes. I knew it was</p> <p>15 large. I was pretty sure it was public.</p> <p>16 Q. (BY MR. CHRISTIAN) You also indicated that</p> <p>17 you -- you had taken part in numerous bond offerings</p> <p>18 involving EOG; is that correct?</p> <p>19 A. That's correct.</p> <p>20 Q. Do you recall how many?</p> <p>21 A. I -- I don't. Definitely more than one. I</p> <p>22 don't recall how many, though.</p> <p>23 Q. Do you recall when those bond offerings</p> <p>24 were?</p> <p>25 A. I don't.</p>	<p style="text-align: right;">Page 38</p> <p>1 A. They would, correct.</p> <p>2 Q. And I think you already answered this</p> <p>3 question. Did I ask you if you knew who the coverage</p> <p>4 banker was at JP Morgan for Petrohawk?</p> <p>5 A. You did ask, and I don't -- I don't know.</p> <p>6 Q. And again this is my memory failing me, but</p> <p>7 did I ask you whether JP Morgan provided coverage</p> <p>8 banking services for Pioneer?</p> <p>9 A. Yes, we do.</p> <p>10 Q. And is Pioneer a client of yours with</p> <p>11 regard to coverage banking?</p> <p>12 A. No, it is not.</p> <p>13 Q. Do you know who the coverage banker is with</p> <p>14 regard to Pioneer?</p> <p>15 A. I do.</p> <p>16 Q. Who is that?</p> <p>17 A. George Glyphis.</p> <p>18 Q. Do you know what specific services JP</p> <p>19 Morgan has provided to Pioneer in the last 10 years?</p> <p>20 A. It's -- I don't know specifics. I think</p> <p>21 it's multi-faceted, just like we've done with EOG.</p> <p>22 We're a lead bank. I know we've participated in</p> <p>23 capital markets offerings. Beyond that, I don't have</p> <p>24 any detailed knowledge.</p> <p>25 Q. Do you know whether we ever did -- excuse</p>
<p style="text-align: right;">Page 37</p> <p>1 Q. Do you have a time frame estimate?</p> <p>2 A. I mean, they certainly -- they have gone to</p> <p>3 the market more than once over the last three or four</p> <p>4 years. Beyond that, I would be speculating.</p> <p>5 Q. Do you have an estimate as to the amount of</p> <p>6 capital that JP Morgan helped EOG raise in connection</p> <p>7 with the bond offerings?</p> <p>8 A. I don't remember details.</p> <p>9 Q. Do you know if it would be over a hundred</p> <p>10 million?</p> <p>11 A. It would be over a hundred, yes.</p> <p>12 Q. Do you know if it would be over 500</p> <p>13 million?</p> <p>14 A. I'm not sure.</p> <p>15 Q. And I think the final thing that you did in</p> <p>16 connection with EOG was to help them with commodities</p> <p>17 hedging; is that right?</p> <p>18 A. Yes.</p> <p>19 Q. Do you recall the value of the commodities</p> <p>20 hedging transactions with EOG?</p> <p>21 A. I don't, no.</p> <p>22 Q. Well, all -- all of this -- the commodities</p> <p>23 hedging, the bond offerings, and the details</p> <p>24 regarding the credit line -- would be in JP Morgan's</p> <p>25 documents; is that correct?</p>	<p style="text-align: right;">Page 39</p> <p>1 me -- know whether JP Morgan ever did any commodities</p> <p>2 hedging for Pioneer?</p> <p>3 A. I don't know.</p> <p>4 Q. And do you know the amount of credit</p> <p>5 extended to Pioneer in connection with the -- the</p> <p>6 banking group lending arrangement?</p> <p>7 A. I don't.</p> <p>8 Q. Do you know the amount of capital raised</p> <p>9 for Pioneer over the course of the last 10 years by</p> <p>10 JP Morgan?</p> <p>11 A. I don't.</p> <p>12 Q. Have you ever talked with anybody at</p> <p>13 Reliance about anything regarding the South Texas</p> <p>14 Syndicate Trust?</p> <p>15 A. I have not.</p> <p>16 Q. Have you ever talked with anyone at JP</p> <p>17 Morgan about the South Texas Syndicate Trust?</p> <p>18 A. I have not.</p> <p>19 Q. Can you tell me how long you spent</p> <p>20 preparing for this deposition?</p> <p>21 A. Probably one hour.</p> <p>22 Q. Can you tell me all the documents you</p> <p>23 reviewed in preparation for this deposition?</p> <p>24 A. This document, the document I see sitting</p> <p>25 there. I think those were the only pieces of paper</p>

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<p>1 that I saw.</p> <p>2 Q. And let me go ahead and hand this to you.</p> <p>3 This is Exhibit 844 previously marked.</p> <p>4 (Exhibit 844 marked)</p> <p>5 Q. (BY MR. CHRISTIAN) Can you tell me why you</p> <p>6 reviewed this document?</p> <p>7 MR. EICHMAN: Objection. That's going</p> <p>8 to invade the attorney/client privilege. Don't</p> <p>9 answer that.</p> <p>10 Q. (BY MR. CHRISTIAN) Let me ask that a</p> <p>11 different way. That's fair.</p> <p>12 Do you know what this document is?</p> <p>13 A. I had never seen it before until today.</p> <p>14 Q. As we sit here today, do you know what the</p> <p>15 document is?</p> <p>16 A. I -- I do not, no.</p> <p>17 Q. You don't have any knowledge about any of</p> <p>18 the information in this document?</p> <p>19 A. I do not, no.</p> <p>20 Q. And you're not prepared to testify about it</p> <p>21 today; is that right?</p> <p>22 A. I can tell you what I know. I don't --</p> <p>23 this is the first -- it's a little Greek to me.</p> <p>24 Q. Well, let me ask you one quick question.</p> <p>25 A. Sure.</p>	<p>1 A. There was a piece of paper that had, like,</p> <p>2 the fact that I'm meeting with you today. It was</p> <p>3 like a summary -- yeah, kind of an innocuous today.</p> <p>4 It didn't really say anything.</p> <p>5 Q. Time and place, that kind of thing?</p> <p>6 A. Time and place.</p> <p>7 MR. EICHMAN: I think it was the</p> <p>8 notice.</p> <p>9 Q. (BY MR. CHRISTIAN) And aside from counsel,</p> <p>10 of course, did you talk with anyone else at JP Morgan</p> <p>11 or anyone else about your preparation for the</p> <p>12 deposition here today?</p> <p>13 A. I have not, no.</p> <p>14 MR. CHRISTIAN: Okay. That's all I</p> <p>15 have, John.</p> <p>16 MR. EICHMAN: Okay. Let's just take a</p> <p>17 short break. I might ask him a few questions.</p> <p>18 MR. CHRISTIAN: Okay. You know, one</p> <p>19 thing I wanted to raise with you. I'll leave this on</p> <p>20 the record, but I wanted to get that conflicts policy</p> <p>21 that Mr. Glyphis reviewed from you when we get a</p> <p>22 chance. He mentioned that as something that he</p> <p>23 reviewed in advance of his deposition. I just want</p> <p>24 to make sure I have the right one.</p> <p>25 MR. EICHMAN: I think any conflicts</p>
Page 41	Page 43
<p>1 Q. And if you know, you can tell me. One of</p> <p>2 the things I was trying to figure out is I notice</p> <p>3 that if you flip a couple pages in -- let's say we go</p> <p>4 to Page 138715.</p> <p>5 A. Okay.</p> <p>6 Q. And I note that there is a total revenue</p> <p>7 column, and down here there is a number that appears</p> <p>8 to be -- let me see what that number is because</p> <p>9 without my glasses it's a little hard.</p> <p>10 A. It's pretty small print.</p> <p>11 Q. It looks like it says 3032186.089. And</p> <p>12 what I'm trying to figure out is if this is an</p> <p>13 ordinary dollar figure with a three-digit decimal</p> <p>14 point or if you know it may be something different.</p> <p>15 A. Yeah, I have no idea.</p> <p>16 Q. Do you know who would know the answer to</p> <p>17 that question?</p> <p>18 A. I do not, no.</p> <p>19 Q. Have you ever seen figures at JP Morgan</p> <p>20 done like this to the third decimal point?</p> <p>21 A. No.</p> <p>22 Q. So, aside from this document which I think</p> <p>23 we had marked as 844 and the interrogatories which</p> <p>24 were 841, did you look at any other documents in</p> <p>25 preparation for this deposition today?</p>	<p>1 policy that he reviewed would be -- I think he</p> <p>2 testified or we mentioned that it would have been an</p> <p>3 exhibit in an earlier deposition.</p> <p>4 MR. CHRISTIAN: Yeah. I just want to</p> <p>5 make sure I get the right one just so I know.</p> <p>6 MR. EICHMAN: Well, I'll identify for</p> <p>7 you what -- what exhibit number it was.</p> <p>8 MR. CHRISTIAN: Perfect. Thank you.</p> <p>9 VIDEOGRAPHER: The time is 1:55 p.m.</p> <p>10 We are off the record.</p> <p>11 (Recess from 1:55 p.m. to 2:00 p.m.)</p> <p>12 VIDEOGRAPHER: The time is 2:00 p.m.</p> <p>13 We are on the record.</p> <p>14 EXAMINATION</p> <p>15 Q. (BY MR. EICHMAN) Mr. Tosch, you know that</p> <p>16 my name is John Eichman, and I'm one of the lawyers</p> <p>17 representing JP Morgan in this litigation that you're</p> <p>18 here on today?</p> <p>19 A. I do, yes.</p> <p>20 Q. And you testified earlier that you work for</p> <p>21 JP Morgan Securities?</p> <p>22 A. That's correct.</p> <p>23 Q. And JP Morgan Securities, is that related</p> <p>24 in some way to JP Morgan Bank?</p> <p>25 A. It is, yes. We're affiliates.</p>

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<p>1 Q. You both have as an ultimate parent company</p> <p>2 JP Morgan Chase & Company?</p> <p>3 A. That's correct.</p> <p>4 Q. And what is your title? Do you have a</p> <p>5 formal title?</p> <p>6 A. I'm managing director within the oil and</p> <p>7 gas investment bank and, as discussed earlier, I also</p> <p>8 serve as the co-head of our oil and gas investment</p> <p>9 banking business here in the U.S.</p> <p>10 Q. The formal name of the line of business</p> <p>11 that you are in, is it called the corporate and</p> <p>12 investment bank?</p> <p>13 A. It is, yes.</p> <p>14 Q. And the JP Morgan businesses are divided up</p> <p>15 into five or six or some number like that of lines of</p> <p>16 business; is that right?</p> <p>17 A. I believe that's correct. I couldn't tell</p> <p>18 you how many, but yes.</p> <p>19 Q. Roughly. And the corporate and investment</p> <p>20 bank is a particular line of business?</p> <p>21 A. It is, that's correct.</p> <p>22 Q. And then are you familiar with a name</p> <p>23 called asset management?</p> <p>24 A. Yes.</p> <p>25 Q. And do you understand that the asset</p>	<p>1 the public debt market, raising debt equity in the</p> <p>2 private market, as we spoke about earlier. We also</p> <p>3 are responsible for providing advisory services to</p> <p>4 clients if we're selling assets for them, helping</p> <p>5 them buy assets in the context of a merger, in the</p> <p>6 context of as we spoke earlier of Murphy Oil where we</p> <p>7 advised them on the spin-off of their retail</p> <p>8 business.</p> <p>9 Q. And do I understand correctly that the</p> <p>10 corporate investment bank is organized to some degree</p> <p>11 along industry lines?</p> <p>12 A. That's correct.</p> <p>13 Q. So, for instance, you testified earlier</p> <p>14 that you're in the oil and goes investment bank, the</p> <p>15 part of the investment bank that deals with oil and</p> <p>16 gas companies?</p> <p>17 A. That's correct.</p> <p>18 Q. And there are other parts of the investment</p> <p>19 bank that deal with other industries?</p> <p>20 A. That's correct.</p> <p>21 Q. A variety of other industries?</p> <p>22 A. Correct.</p> <p>23 Q. And you are the co-head of the oil and gas</p> <p>24 section of the investment bank?</p> <p>25 A. Correct.</p>
Page 45	Page 47
<p>1 management is a line of business at JP Morgan Chase?</p> <p>2 A. I do, yes.</p> <p>3 Q. And do you understand that the asset</p> <p>4 management line of business, among other business</p> <p>5 activities, has a trust business, they provide trust</p> <p>6 services?</p> <p>7 A. I wasn't aware that trust was part of asset</p> <p>8 management, but --</p> <p>9 Q. Is it -- is it --</p> <p>10 A. I haven't given it a lot of thought. So...</p> <p>11 Q. Right. The trust business is not something</p> <p>12 that you have any involvement with at the bank; is</p> <p>13 that right?</p> <p>14 A. That's correct.</p> <p>15 Q. That's in a different line of business and</p> <p>16 one that you don't deal with or have contact with; is</p> <p>17 that right?</p> <p>18 A. That's right.</p> <p>19 Q. The investment bank line of business, the</p> <p>20 corporate investment bank in general, describe for us</p> <p>21 the kinds of services that it provides to its</p> <p>22 clients.</p> <p>23 A. We essentially are responsible for</p> <p>24 providing capital as a traditional lender, raising</p> <p>25 capital in the public equity market, raising money in</p>	<p>1 Q. And who's the other co-head?</p> <p>2 A. A gentleman by the name of Lackland Bloom,</p> <p>3 B-L-O-O-M.</p> <p>4 Q. And is the oil and gas section or group in</p> <p>5 the investment bank part of a larger energy section?</p> <p>6 A. The oil and gas group is part of what's</p> <p>7 defined as our natural resources group. And the</p> <p>8 natural resources group, in addition to having</p> <p>9 responsibility for oil and gas, they have</p> <p>10 responsibility for the power segment. So, utilities.</p> <p>11 Q. Now, are you familiar with the concept of</p> <p>12 the public side of the bank and the nonpublic side of</p> <p>13 the bank?</p> <p>14 A. Yes.</p> <p>15 Q. And are you familiar with the concept of an</p> <p>16 information barrier?</p> <p>17 A. Absolutely, yes.</p> <p>18 Q. And is there an information barrier under</p> <p>19 JP Morgan's policies that is established between on</p> <p>20 the one side of the barrier the public side and on</p> <p>21 the other side of the barrier the nonpublic side?</p> <p>22 A. There is, yes.</p> <p>23 Q. As the co-head of the oil and gas section</p> <p>24 in the investment bank, what side of the bank is your</p> <p>25 group on? Are you on the -- you're on the nonpublic</p>

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<p style="text-align: right;">Page 48</p> <p>1 side?</p> <p>2 A. That's correct.</p> <p>3 Q. So, then, there are policies and procedures</p> <p>4 that limit the flow of certain kinds of information</p> <p>5 from your side of the bank to the public side of the</p> <p>6 bank?</p> <p>7 A. Yes, absolutely.</p> <p>8 Q. And would it be fair to say that you very</p> <p>9 carefully abide by those policies and procedures?</p> <p>10 A. Yeah, absolutely. I mean, our practice is</p> <p>11 dependent upon being able to have the client</p> <p>12 confidence of Chinese walls, yes.</p> <p>13 Q. Now, am I correct that there are a</p> <p>14 number -- there are a large number of oil and gas</p> <p>15 companies in the U.S.?</p> <p>16 A. Correct.</p> <p>17 Q. Is there a particular segment of the oil</p> <p>18 and gas industry that your group focuses on?</p> <p>19 A. We really cover the waterfront. The</p> <p>20 upstream oil and gas producers, the downstream</p> <p>21 refiners, the midstream companies, and the oil field</p> <p>22 service companies. So, all four of those segments</p> <p>23 make up oil and gas.</p> <p>24 Q. When you say the upstream oil and gas</p> <p>25 companies, explain that a little bit.</p>	<p style="text-align: right;">Page 50</p> <p>1 A. Right.</p> <p>2 Q. Capital raising, lending?</p> <p>3 A. That's correct.</p> <p>4 Q. M&A advice?</p> <p>5 A. Correct.</p> <p>6 Q. Now, I would like to ask you to focus on</p> <p>7 the time period 2008 through 2010, and I want to ask</p> <p>8 you about some specific oil and gas companies and</p> <p>9 about any relationship that your group had with those</p> <p>10 companies during that time period.</p> <p>11 Was Apache Corporation a client of JP</p> <p>12 Morgan -- the investment bank JP Morgan in that time</p> <p>13 period?</p> <p>14 A. Yes.</p> <p>15 Q. Was Chesapeake a client of the oil and gas</p> <p>16 group -- the investment bank in that time period?</p> <p>17 A. I -- I would be speculating a little bit,</p> <p>18 but I believe so. We don't do a lot with Chesapeake.</p> <p>19 We've done bits and pieces, but very -- kind of an</p> <p>20 inconsistent basis. It's possible. I would be</p> <p>21 speculating if I gave you a definitive answer on</p> <p>22 that.</p> <p>23 Q. During the time period 2008 to 2010 was</p> <p>24 Chevron a client of your group's?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 49</p> <p>1 A. The companies that acquire, produce, drill,</p> <p>2 explore for oil and gas.</p> <p>3 Q. And the downstream?</p> <p>4 A. Downstream would essentially be refining</p> <p>5 and market companies involved specifically in that</p> <p>6 aspect of the business.</p> <p>7 Q. And I think you may have even mentioned</p> <p>8 midstream.</p> <p>9 A. Midstream would be the pipeline -- the</p> <p>10 pipeline part of the business.</p> <p>11 Q. And then -- then the -- there's a fourth</p> <p>12 category?</p> <p>13 A. Oil field service, the service providers,</p> <p>14 the contract drillers that drill the wells, and the</p> <p>15 large service companies that provide completion</p> <p>16 services, all the things that are required for</p> <p>17 drilling and producing oil out of the ground.</p> <p>18 Q. Now, I would like to -- well, before I ask</p> <p>19 you about some specific companies, let me ask you</p> <p>20 this.</p> <p>21 Would it be fair to say that -- that</p> <p>22 the kinds of services that your group provides to oil</p> <p>23 and gas companies are the kinds of services you</p> <p>24 described a while ago that the investment bank</p> <p>25 generally provides?</p>	<p style="text-align: right;">Page 51</p> <p>1 Q. During that time period was Continental</p> <p>2 Resources a client of your group?</p> <p>3 A. Yes.</p> <p>4 Q. Was Devon Energy a client of your group</p> <p>5 during the 2008 to 2010 time period?</p> <p>6 A. Yes.</p> <p>7 Q. Was -- you've already testified about EOG</p> <p>8 Resources. That company was a client of your group</p> <p>9 during that time period?</p> <p>10 A. That's correct.</p> <p>11 Q. Exxon, were they a client during the 2008</p> <p>12 to 2010 time period?</p> <p>13 A. They were, yes.</p> <p>14 Q. How about a company called Newfield</p> <p>15 Exploration Company? Were they a client in that time</p> <p>16 period?</p> <p>17 A. Yes. Yes, they were.</p> <p>18 Q. Was a company called Penn Virginia a client</p> <p>19 of your group during that time period?</p> <p>20 A. I believe they were, yes.</p> <p>21 Q. There's a Brazilian company called</p> <p>22 Petrobras. Were they a client of your group during</p> <p>23 that time period?</p> <p>24 A. I would be speculating. We have a</p> <p>25 relationship with them today. I don't know if we did</p>

12 (Pages 48 to 51)

<p style="text-align: right;">Page 52</p> <p>1 back then, but it's a large, multi-national company.</p> <p>2 Q. You've mentioned -- or you've been asked</p> <p>3 about Petrohawk. That firm back in the 2008 to 2010</p> <p>4 time period was a client of the JP Morgan investment</p> <p>5 bank?</p> <p>6 A. It was, yes.</p> <p>7 Q. There's a firm called PetroQuest,</p> <p>8 P-E-T-R-O-Q-U-E-S-T. Were they a client during that</p> <p>9 time period?</p> <p>10 A. They were, yes.</p> <p>11 Q. And Pioneer Natural Resources was a client</p> <p>12 of the JP Morgan investment bank during that time</p> <p>13 period?</p> <p>14 A. They were, yes.</p> <p>15 Q. And a firm called Rosetta, R-O-S-E-T-T-A,</p> <p>16 were they a client of the firm?</p> <p>17 A. They are, yes, and they were, yes.</p> <p>18 Q. They were during the 2008 to 2010 time</p> <p>19 period?</p> <p>20 A. They were.</p> <p>21 Q. And there's a company called Samson, an oil</p> <p>22 and gas company called Samson. Were they a client</p> <p>23 during the 2008 to 2010 time period?</p> <p>24 A. They were, yes.</p> <p>25 Q. Was Shell?</p>	<p style="text-align: right;">Page 54</p> <p>1 A. Correct.</p> <p>2 Q. Let me ask you -- an example. Does a bank</p> <p>3 like Wells Fargo have an oil and gas group in its</p> <p>4 investment bank?</p> <p>5 A. They do.</p> <p>6 Q. And is Wells Fargo's investment bank</p> <p>7 involved in deals with your bank?</p> <p>8 A. They are.</p> <p>9 Q. In other words, you both might</p> <p>10 simultaneously be assisting a client?</p> <p>11 A. That's correct.</p> <p>12 Q. And does Wells Fargo's investment bank do</p> <p>13 work for some of the companies that I've just listed</p> <p>14 and you've answered about?</p> <p>15 A. I'm certain they do, yes. Which ones, I</p> <p>16 don't -- I would have a hard time -- but, yes, many</p> <p>17 of them, I'm sure they do.</p> <p>18 Q. Sir, have you ever communicated with any</p> <p>19 trust officer or mineral manager in JP Morgan's</p> <p>20 private bank about any Reliance entity?</p> <p>21 A. I have not, no.</p> <p>22 Q. And I've listed several energy companies</p> <p>23 that the investment bank has performed services for</p> <p>24 back in the 2008 to 2010 time period according to</p> <p>25 your testimony.</p>
<p style="text-align: right;">Page 53</p> <p>1 A. Yes.</p> <p>2 Q. Was Swift Energy a client during that time</p> <p>3 period?</p> <p>4 A. Yes.</p> <p>5 Q. Was Whiting Petroleum Corporation a client</p> <p>6 of JP Morgan during that time period?</p> <p>7 A. They were, yes.</p> <p>8 Q. And there's a firm that I think has since</p> <p>9 been acquired called XTO. Was XTO a client of the</p> <p>10 investment bank at JP Morgan during the 2008 to 2010</p> <p>11 time period?</p> <p>12 A. They were, yes.</p> <p>13 Q. Sir, based on your involvement and your</p> <p>14 experience, did each of those companies work with</p> <p>15 multiple banks, a variety of banks besides JP Morgan</p> <p>16 during that time period?</p> <p>17 A. Yes.</p> <p>18 Q. Is that the way it usually works in your</p> <p>19 business?</p> <p>20 A. It is, yes.</p> <p>21 Q. That companies, client companies, have</p> <p>22 multiple banks with whom they work?</p> <p>23 A. Correct.</p> <p>24 Q. And JP Morgan is one of several with whom a</p> <p>25 particular client might work?</p>	<p style="text-align: right;">Page 55</p> <p>1 Are there any of those energy</p> <p>2 companies -- any of those oil and gas companies that</p> <p>3 I mentioned that you have ever communicated with any</p> <p>4 trust officer or mineral manager in JP Morgan's</p> <p>5 private bank about?</p> <p>6 A. Not that I recall, no.</p> <p>7 Q. And sitting here today you can say you have</p> <p>8 not communicated with any trust officer or mineral</p> <p>9 manager about those companies?</p> <p>10 A. That is correct.</p> <p>11 Q. Now, you've been asked some questions about</p> <p>12 Hunt Oil, and you've testified that they are a client</p> <p>13 of the investment bank at JP Morgan?</p> <p>14 A. That's correct.</p> <p>15 Q. Have you ever communicated with any trust</p> <p>16 officer or mineral manager in JP Morgan's private</p> <p>17 bank about Hunt Oil?</p> <p>18 A. I have not, no.</p> <p>19 MR. EICHMAN: We'll reserve the rest</p> <p>20 of our questions until trial.</p> <p>21 MR. CHRISTIAN: Okay. I have a little</p> <p>22 bit of follow-up.</p> <p>23 FURTHER EXAMINATION</p> <p>24 Q. (BY MR. CHRISTIAN) Sir, Mr. Eichman had</p> <p>25 you, I think, testify about policies regarding an</p>

13 (Pages 52 to 55)

<p style="text-align: right;">Page 56</p> <p>1 information barrier at JP Morgan; is that right?</p> <p>2 A. Correct.</p> <p>3 Q. Can you tell me specifically what policies</p> <p>4 are in place at JP Morgan to limit the flow of</p> <p>5 information between the nonpublic and public side of</p> <p>6 the business?</p> <p>7 A. Sure. We have a -- as a regular matter, we</p> <p>8 have training on an annual basis which reviews the</p> <p>9 privacy acts, you know, the -- basically the Chinese</p> <p>10 wall and information flow, you know, restrictions,</p> <p>11 you know, within the firm. We do that on an annual</p> <p>12 basis. It's an important part of our regulatory</p> <p>13 clients.</p> <p>14 Q. Do you have any specific policies you can</p> <p>15 cite to that describe the duties?</p> <p>16 A. Well, I mean, as a -- as a banker you have</p> <p>17 access to private information and, you know, that</p> <p>18 cannot be shared, you know, outside with public</p> <p>19 siders, equity research being the most obvious</p> <p>20 example. And even within the confines of deal teams,</p> <p>21 you know, we have deal teams that are approved</p> <p>22 through compliance to work on a particular</p> <p>23 transaction and information is limited as it relates</p> <p>24 to that transaction within that group of people who</p> <p>25 are -- who are approved to be on the deal team, too,</p>	<p style="text-align: right;">Page 58</p> <p>1 those types of -- those types of issues.</p> <p>2 Q. Can you give me some of the specifics?</p> <p>3 A. On --</p> <p>4 Q. Well, that are part of the annual training.</p> <p>5 I mean, you mentioned -- you mentioned the</p> <p>6 information barrier and you mentioned anti-money</p> <p>7 laundering.</p> <p>8 What else is part of the annual</p> <p>9 training?</p> <p>10 A. Oh, there is training around obviously</p> <p>11 information sharing. AML we talked about, you know.</p> <p>12 You're asking -- I'm having a blank on what else --</p> <p>13 those are just the two that as investment bankers</p> <p>14 that we deal with on a daily basis. There's others</p> <p>15 that are more related to the retail brokerage part of</p> <p>16 the business that we don't really -- we're not</p> <p>17 involved with so we go through the training. Those</p> <p>18 are the -- off the top of my head, I'm not thinking</p> <p>19 of the others. I'll have to give it some more</p> <p>20 thought.</p> <p>21 Q. And how long is this annual training</p> <p>22 usually?</p> <p>23 A. It's typically probably an hour training</p> <p>24 session every year, and we'll have sometimes interim</p> <p>25 updates, as well, that will be provided and, of</p>
<p style="text-align: right;">Page 57</p> <p>1 and then the conflicts office manages to make sure</p> <p>2 that there's not any kind of a conflict with another</p> <p>3 client, to make sure that, you know, we don't have</p> <p>4 access to nonpublic information, et cetera. That's a</p> <p>5 large part of the organization manages that aspect of</p> <p>6 our clients. It's what we deal with every single day</p> <p>7 in our business.</p> <p>8 Q. And are there specific written policies</p> <p>9 that govern the information flow?</p> <p>10 A. There are, yes.</p> <p>11 Q. Do you know what policy numbers or how I</p> <p>12 might be able to identify those policies?</p> <p>13 A. I don't, but there's -- I can't tell you</p> <p>14 the name of it. It's basically -- I don't know if</p> <p>15 it's a right to privacy -- I can't give you the name</p> <p>16 of it, but there's -- it's a major focal point of our</p> <p>17 training on an annual basis. I can't tell you what</p> <p>18 the document's called. I just don't remember.</p> <p>19 Q. When you say you have annual training, what</p> <p>20 other types of issues does the annual training</p> <p>21 encompass?</p> <p>22 A. I mean, we have -- it's across the board.</p> <p>23 All -- all the major, you know, types of issues that</p> <p>24 banks, you know, have ongoing compliance requirements</p> <p>25 around. Another one would be money laundering, all</p>	<p style="text-align: right;">Page 59</p> <p>1 course, we're expected to review the compliance</p> <p>2 manual. There's -- there's training in terms of</p> <p>3 gifts, things we can do for clients on entertainment,</p> <p>4 things they can do for us on entertainment, those</p> <p>5 types of issues.</p> <p>6 Q. How does the training happen? Is it done</p> <p>7 on your computer, or do you go to a meeting?</p> <p>8 A. We have an annual compliance in-person</p> <p>9 meeting every year that's mandatory that covers all</p> <p>10 the key issues and topics, and then we're also</p> <p>11 required to complete computer-based training, as</p> <p>12 well, and sign off that we've reviewed the compliance</p> <p>13 policies of the firm.</p> <p>14 Q. And as part of a bigger picture question</p> <p>15 can you tell me why it is that there is an</p> <p>16 information barrier between the investment banking</p> <p>17 side of things and the different parts of JP Morgan</p> <p>18 that are restricted from receiving that information?</p> <p>19 A. Sure. With any client there's -- there's a</p> <p>20 huge premium placed on confidentiality, and we deal</p> <p>21 with confidential information on a daily basis with</p> <p>22 multiple, multiple, multiple clients and it's</p> <p>23 absolutely critical that that be kept</p> <p>24 compartmentalized on a need-to-know basis with the</p> <p>25 team that's working on a particular transaction.</p>

14 (Pages 56 to 59)

<p style="text-align: right;">Page 60</p> <p>1 What we happen to be doing in investment banking --</p> <p>2 for instance, with a client, whether we're raising</p> <p>3 capital or advising them on a merger is confidential</p> <p>4 information. It's not information that those that</p> <p>5 side on the public side of the wall should have</p> <p>6 access to.</p> <p>7 Q. And so, in large part the handling of the</p> <p>8 information is to ensure the client's best interests;</p> <p>9 is that right?</p> <p>10 MR. EICHMAN: Object to the form.</p> <p>11 A. It's -- it's there to ensure that all</p> <p>12 public investors have access to the same information.</p> <p>13 Q. (BY MR. CHRISTIAN) And what other reasons?</p> <p>14 Besides allowing all public investors to have access</p> <p>15 to equal information, what other reasons are there</p> <p>16 for this information barrier?</p> <p>17 A. Because there's -- it's really on a</p> <p>18 need-to-know basis. If someone -- if we have</p> <p>19 confidential information we have on a client, we</p> <p>20 under no circumstances would share that or</p> <p>21 communicate that with anyone outside of our deal</p> <p>22 team. I mean, it's sort of a tenant of our business.</p> <p>23 Q. And how do you determine whether the</p> <p>24 information is confidential?</p> <p>25 A. If it's not known to the public, it's</p>	<p style="text-align: right;">Page 62</p> <p>1 company. Right?</p> <p>2 A. That's correct.</p> <p>3 Q. Would the mere fact that JP Morgan does a</p> <p>4 substantial amount of business with Hunt Oil be</p> <p>5 considered confidential information, as you</p> <p>6 understand the designation?</p> <p>7 MR. EICHMAN: Object to the form of</p> <p>8 the question.</p> <p>9 A. I view all of -- any information that's</p> <p>10 shared to me on a confidential basis as confidential,</p> <p>11 whether it's a private or public company.</p> <p>12 Q. (BY MR. CHRISTIAN) But how do you make that</p> <p>13 determination at JP Morgan? Is there anything in</p> <p>14 writing that discusses that specifically?</p> <p>15 A. Any -- any -- any bit of information that</p> <p>16 in any way could be considered material, you just</p> <p>17 don't share it. You really share nothing. I'm even</p> <p>18 uncomfortable -- with Hunt as a private company, I</p> <p>19 want to make sure -- which I think you're covering --</p> <p>20 exactly what's disclosed as it relates to Hunt</p> <p>21 because they are a private company.</p> <p>22 Q. But you don't know whether everybody at JP</p> <p>23 Morgan always follows procedure with regard to the</p> <p>24 information barrier, though, do you?</p> <p>25 MR. EICHMAN: Object to the form. Are</p>
<p style="text-align: right;">Page 61</p> <p>1 confidential. Any time we get information on a</p> <p>2 client that is material nonpublic information, we</p> <p>3 register that with compliance almost instantaneously</p> <p>4 that we're in possession of -- it restricts how the</p> <p>5 bank trades. I mean, we have a big trading business.</p> <p>6 You know, we report when we are working on something</p> <p>7 confidential, it goes through compliance, and they</p> <p>8 can watch how things are getting trading to make sure</p> <p>9 that no one's trading on inside information, those</p> <p>10 types of things. That's how it's used.</p> <p>11 Q. So, if JP Morgan did substantial business</p> <p>12 with a public company that reported the types of</p> <p>13 business that was being transacted, that wouldn't be</p> <p>14 confidential information, would it?</p> <p>15 A. No.</p> <p>16 MR. EICHMAN: Excuse me. Object to</p> <p>17 the form.</p> <p>18 A. Any information that's in the public domain</p> <p>19 is not considered confidential.</p> <p>20 Q. (BY MR. CHRISTIAN) And do you know whether</p> <p>21 Petrohawk was a public company in 2008?</p> <p>22 A. I'm not so good with remembering dates,</p> <p>23 but -- I'm not certain, but -- I would have to look</p> <p>24 and see.</p> <p>25 Q. And we know that Hunt Oil was a private</p>	<p style="text-align: right;">Page 63</p> <p>1 you asking about what -- what he knows?</p> <p>2 MR. CHRISTIAN: Yeah.</p> <p>3 A. If I were aware of anyone that was</p> <p>4 breaching or sharing confidential information</p> <p>5 inappropriately, I would have an obligation to report</p> <p>6 it to compliance immediately.</p> <p>7 Q. (BY MR. CHRISTIAN) Well, let me give you a</p> <p>8 hypothetical. If in 2008 somebody from JP Morgan</p> <p>9 contacted the trust department and said, "We do a lot</p> <p>10 of business with Petrohawk," would you believe this</p> <p>11 to be a violation of JP Morgan's information barrier</p> <p>12 policies?</p> <p>13 MR. EICHMAN: Object to the form of</p> <p>14 the question.</p> <p>15 A. Ask -- I don't understand the question.</p> <p>16 Ask it again.</p> <p>17 Q. (BY MR. CHRISTIAN) If somebody from JP</p> <p>18 Morgan contacted JP Morgan's trust department in 2008</p> <p>19 and said to them, "We happen to do a lot of business</p> <p>20 with Petrohawk, and you should keep that in mind" --</p> <p>21 MR. EICHMAN: Object to the form of</p> <p>22 the question.</p> <p>23 Q. (BY MR. CHRISTIAN) Does that in your mind</p> <p>24 breach the information barrier or policies that JP</p> <p>25 Morgan has in place?</p>

15 (Pages 60 to 63)

Page 64	Page 66
<p>1 MR. EICHMAN: Object to the form of</p> <p>2 the question. Hypothetical is incomplete.</p> <p>3 Q. (BY MR. CHRISTIAN) Go ahead.</p> <p>4 A. I'm still not quite sure -- I can answer</p> <p>5 the question from the perspective of what I would do.</p> <p>6 I can't step into somebody else's shoes as to what</p> <p>7 they might do.</p> <p>8 Q. Okay. Why don't you answer it on what you</p> <p>9 would do?</p> <p>10 A. Under no circumstances would I have reason</p> <p>11 to contact the trust department about anything.</p> <p>12 Q. Okay. You don't know, again, whether</p> <p>13 anybody else at JP Morgan might have had occasion to</p> <p>14 do that. Right?</p> <p>15 A. I would have no idea.</p> <p>16 Q. And in your mind would -- would the</p> <p>17 hypothetical that I just suggested be a violation of</p> <p>18 the information barrier that JP Morgan has in place?</p> <p>19 MR. EICHMAN: Object to the form of</p> <p>20 the question.</p> <p>21 A. Again, if -- I can comment on what I could</p> <p>22 do -- what I would do and what I'm responsible for</p> <p>23 doing within my world, and in my world we would not</p> <p>24 do that. It would be inappropriate. It would be</p> <p>25 considered a breach of confidentiality.</p>	<p>1 companies, do you, sir?</p> <p>2 A. That's correct.</p> <p>3 MR. CHRISTIAN: That's fine.</p> <p>4 COURT REPORTER: Off the record.</p> <p>5 MR. CHRISTIAN: Yes.</p> <p>6 VIDEOGRAPHER: The time is 2:29. This</p> <p>7 concludes the deposition of Paschall Tosch. We're</p> <p>8 off the record.</p> <p>9 (Whereupon the deposition was adjourned.)</p>
Page 65	Page 67
<p>1 Q. (BY MR. CHRISTIAN) Okay. So, we've</p> <p>2 established that you wouldn't do it. Right?</p> <p>3 A. Correct.</p> <p>4 Q. Okay. But, again, you don't know whether</p> <p>5 anybody else at JP Morgan might adhere to your</p> <p>6 standards with regard to the information barrier,</p> <p>7 correct?</p> <p>8 A. I can't speculate on that.</p> <p>9 Q. Okay.</p> <p>10 A. They are held to the same standards as --</p> <p>11 as I am. That's the only thing I can say with</p> <p>12 confidence.</p> <p>13 Q. And as we sit here today, you don't know if</p> <p>14 anybody else at JP Morgan actually did communicate</p> <p>15 with JP Morgan's trust department about any of the</p> <p>16 oil companies that we've discussed today. Right?</p> <p>17 A. I have no knowledge of that at all, that's</p> <p>18 correct.</p> <p>19 MR. CHRISTIAN: Okay. That's all I</p> <p>20 have.</p> <p>21 FURTHER EXAMINATION</p> <p>22 Q. (BY MR. EICHMAN) Sir, just so the record is</p> <p>23 clear, you have no knowledge of anyone in the</p> <p>24 investment bank communicating with anyone in the</p> <p>25 trust department at JP Morgan about any of those</p>	<p>1 CHANGES AND SIGNATURE</p> <p>2 PAGE LINE CHANGE REASON</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>

16 (Pages 64 to 67)

<p style="text-align: right;">Page 68</p> <p>1 I, PASCHALL TOSCH, have read the foregoing</p> <p>2 deposition and hereby affix my signature that same is</p> <p>3 true and correct, except as noted above.</p> <p>4</p> <p>5 _____</p> <p>6 PASCHALL TOSCH</p> <p>7</p> <p>8 THE STATE OF _____)</p> <p>9 COUNTY OF _____)</p> <p>10</p> <p>11 Before me, _____, on this</p> <p>12 day personally appeared PASCHALL TOSCH, known to me</p> <p>13 or proved to me on the oath of _____ or</p> <p>14 through _____ (description of</p> <p>15 identity card or other document) to be the person</p> <p>16 whose name is subscribed to the foregoing instrument</p> <p>17 and acknowledged to me that he/she executed the same</p> <p>18 for the purpose and consideration therein expressed.</p> <p>19 Given under my hand and seal of office on this</p> <p>20 ____ day of _____ 2014.</p> <p>21</p> <p>22 _____</p> <p>23 NOTARY PUBLIC IN AND FOR</p> <p>24 THE STATE OF _____</p> <p>25 My Commission Expires: _____</p>	<p style="text-align: right;">Page 70</p> <p>1 taken, the following includes all parties of record</p> <p>2 and the amount of time used by each party at the time</p> <p>3 of the deposition:</p> <p>4 Michael S. Christian (1h10m)</p> <p>5 Attorney for Plaintiff</p> <p>6 John Eichman (0h16m)</p> <p>7 Attorney for Defendant</p> <p>8</p> <p>9 That a copy of this certificate was served on</p> <p>10 all parties shown herein on _____</p> <p>11 and filed with the Clerk.</p> <p>12 I further certify that I am neither counsel for,</p> <p>13 related to, nor employed by any of the parties in the</p> <p>14 action in which this proceeding was taken, and</p> <p>15 further that I am not financially or otherwise</p> <p>16 interested in the outcome of this action.</p> <p>17 Further certification requirements pursuant to</p> <p>18 Rule 203 of the Texas Code of Civil Procedure will be</p> <p>19 complied with after they have occurred.</p> <p>20 Certified to by me on this 11th day of</p> <p>21 February, 2014.</p> <p>22 <u>Shauna Foreman</u></p> <p>23 Shauna Foreman, CSR</p> <p>24 Texas CSR 3786</p> <p>25 Expiration: 12/31/2014</p> <p>Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p>
<p style="text-align: right;">Page 69</p> <p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT</p> <p>3)</p> <p>4 vs.) BEXAR COUNTY, TEXAS</p> <p>5)</p> <p>6 JP MORGAN CHASE BANK, N.A.)</p> <p>7 INDIVIDUALLY/CORPORATELY)</p> <p>8 AND AS TRUSTEE OF THE)</p> <p>9 SOUTH TEXAS SYNDICATE)</p> <p>10 TRUST and GARY P. AYMES)25TH JUDICIAL DISTRICT</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 71</p> <p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203</p> <p>2</p> <p>3 The original deposition was/was not returned to</p> <p>4 the deposition officer on _____.</p> <p>5 If returned, the attached Changes and Signature</p> <p>6 page(s) contain(s) any changes and the reasons</p> <p>7 therefor.</p> <p>8 If returned, the original deposition was</p> <p>9 delivered to Michael S. Christian, Custodial</p> <p>10 Attorney.</p> <p>11 \$_____ is the deposition officer's charges to</p> <p>12 the Plaintiff for preparing the original deposition</p> <p>13 and any copies of exhibits;</p> <p>14 The deposition was delivered in accordance with</p> <p>15 Rule 203.3, and a copy of this certificate, served on</p> <p>16 all parties shown herein, was filed with the Clerk.</p> <p>17 Certified to by me on this ____ day of</p> <p>18 _____, 2014.</p> <p>19</p> <p>20</p> <p>21 _____</p> <p>22 Shauna Foreman, CSR</p> <p>23 Texas CSR 3786</p> <p>24 Expiration: 12/31/2014</p> <p>25 Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> <p>Firm No. 631</p>

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Confidential

Transcript of the Testimony of

Paschall Tosch

Date: February 11, 2014

Case: John K. Meyer, et al v. JP Morgan Chase, et al

Kim Tindall and Associates, LLC.
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<p style="text-align: right;">Page 1</p> <p>CAUSE NO. 2010-CI-10977 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT) vs.) BEXAR COUNTY, TEXAS) JP MORGAN CHASE BANK, N.A.) INDIVIDUALLY/CORPORATELY) AND AS TRUSTEE OF THE) SOUTH TEXAS SYNDICATE) TRUST and GARY P. AYMES)225TH JUDICIAL DISTRICT</p> <p>CONFIDENTIAL ORAL VIDEOTAPED DEPOSITION PASCHALL TOSCH February 11, 2014</p> <p>ORAL VIDEOTAPED DEPOSITION OF PASCHALL TOSCH, produced as a witness at the instance of the Plaintiff and duly sworn, was taken in the above-styled and numbered cause on February 11, 2014, from 1:01 p.m. to 2:29 p.m., before Shauna Foreman, Certified Shorthand Reporter in and for the State of Texas, reported by computerized stenotype machine at the offices of Hunton & Williams, 700 Louisiana, Suite 4200, Houston, Texas, pursuant to the Texas Rules of Civil Procedure and the provisions stated on the record or attached hereto.</p>	<p style="text-align: right;">Page 9</p> <p>1 2 3 4 5 6 7 8 Q. (BY MR. CHRISTIAN) What about Hunt Oil? 9 A. Yes. 10 Q. Can you tell me when you provided coverage 11 services for Hunt Oil? 12 A. I've been a lead banker for Hunt Oil for at 13 least the last 10 years. 14 Q. And during that time what sort of services 15 has your firm, JP Morgan, provided to Hunt Oil? 16 A. We've had primarily a lending relationship 17 with their lead bank -- their joint lead bank in 18 terms of providing capital. We have represented them 19 once or twice in the private place, basically raising 20 long-term debt for them in the private institutional 21 market. 22 Q. When you say "raising debt," do you mean 23 raising capital or raising debt? 24 A. Debt capital. 25 Q. More specifically, what -- what were you</p>
<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES 2 3 FOR DEFENDANTS: 4 JOHN EICHMAN, ESQ. 5 HUNTON & WILLIAMS 6 1445 Ross Avenue 7 Suite 3700 8 Dallas, Texas 75202 9 Telephone: 214-468-3321 10 Fax: 214-740-7118 11 E-mail: jeichmann@hunton.com 12 13 FOR PLAINTIFF: 14 15 MICHAEL S. CHRISTIAN, ESQ. 16 ZELLE HOFMANN 17 44 Montgomery Street 18 Suite 3400 19 San Francisco, California 94104 20 Telephone: 415-693-0700 21 Fax: 415-693-0770 22 E-mail: mchristian@zelle.com 23 24 ALSO PRESENT: 25 Justin Dickenson, Videographer</p>	<p style="text-align: right;">Page 10</p> <p>1 doing? 2 A. I mean, as a private company I'm a little 3 reluctant to say, you know, for confidentiality 4 reasons. But as a company in the oil and gas 5 business, companies raise money in the bank market 6 and they raise money longer term. Like public 7 companies would go to the bond market to raise 10-, 8 20-year debt. Private companies go to institutional 9 investors to provide that same type of debt, but it's 10 done in a private market versus a public setting. 11 Q. Do you recall how much capital that you 12 have raised or assisted Hunt with raising in the last 13 10 years? 14 A. I would be guessing. We've done several 15 transactions with them. I don't recall the size. 16 Q. Could you give me a ballpark estimate? 17 MR. EICHMAN: Object to the -- excuse 18 me. Object to the form. 19 A. I would be speculating if I -- 20 Q. (BY MR. CHRISTIAN) Do you know if it was 21 over a hundred million dollars? 22 A. It was over a hundred million. 23 Q. Do you know if it was over 500 million? 24 A. I don't. 25 Q. Do you know if it was under 500 million?</p>

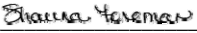

1 (Pages 1 to 10)

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<p>1 A. I don't.</p> <p>2 Q. Do you know if it was over 200 million?</p> <p>3 A. I really -- I don't recall. I've got, as I</p> <p>4 said, many, many, many clients over a long period of</p> <p>5 time and I just lose track of that on a detail basis.</p> <p>6 Q. You also mentioned a lending relationship</p> <p>7 with Hunt; is that right?</p> <p>8 A. Correct.</p> <p>9 Q. Can you describe that for me?</p> <p>10 A. We're the lead bank for a consortium of</p> <p>11 banks providing a traditional revolving credit</p> <p>12 facility for the company.</p> <p>13 Q. When you say "with a lead bank," does that</p> <p>14 JP Morgan acted in concert with a different bank to</p> <p>15 provide credit to Hunt?</p> <p>16 A. Typically the company, when they are</p> <p>17 raising money in the bank market -- a larger company,</p> <p>18 when they need to raise, you know, more credit than a</p> <p>19 single bank would provide, they'll have a lead bank</p> <p>20 that will serve as the coordinator and the arranger,</p> <p>21 takes just care of administrative type duties, things</p> <p>22 like that.</p> <p>23 Q. And so, did JP Morgan serve as the lead</p> <p>24 bank or was that a different bank?</p> <p>25 A. We were either the lead or the joint lead.</p>	<p>1 have anywhere from -- you could have eight to 20</p> <p>2 banks participating in a credit facility for a</p> <p>3 company of that size. I don't recall how many are in</p> <p>4 their credit facility, but that would be convention.</p> <p>5 Q. Do you recall the amounts that JP Morgan</p> <p>6 may have specifically lent to Hunt over the last 10</p> <p>7 years?</p> <p>8 MR. EICHMAN: Answer that yes or no in</p> <p>9 terms of if you recall.</p> <p>10 A. No.</p> <p>11 Q. (BY MR. CHRISTIAN) Do you have an estimate?</p> <p>12 A. I don't.</p> <p>13 Q. Do you know who would?</p> <p>14 A. I mean, internal documentation would</p> <p>15 reflect that.</p> <p>16 Q. So, we discussed lending relationships and</p> <p>17 assistance with raising debt capital as regards Hunt</p> <p>18 Oil.</p> <p>19 Do you know whether JP Morgan assisted</p> <p>20 Hunt Oil with any other types of banking or financial</p> <p>21 issues in the last 10 years?</p> <p>22 A. We provide commodity hedging for them where</p> <p>23 we basically, you know -- they are trying to reduce</p> <p>24 price risk on commodity, and we've done hedging</p> <p>25 there. That's the only other type of business I can</p>
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<p>1 I don't recall whether we have -- I don't know</p> <p>2 whether we do that as the sole lead or if there's</p> <p>3 another bank with us.</p> <p>4 Q. Do you recall how many different lending</p> <p>5 transactions JP Morgan may have participated in with</p> <p>6 respect to Hunt?</p> <p>7 A. I don't. I think there's only the one</p> <p>8 facility. It's probably been renewed a couple of</p> <p>9 times.</p> <p>10 Q. When you say "the one facility," could you</p> <p>11 describe that?</p> <p>12 MR. EICHMAN: And just speak in</p> <p>13 general terms as opposed to amounts.</p> <p>14 A. Yeah. I mean, it's -- as I said, Hunt's no</p> <p>15 different than any other company. Large industrial</p> <p>16 company that needs to raise money in the bank market,</p> <p>17 and we helped them facilitate -- we helped arrange</p> <p>18 the facility for them is the easiest way to describe</p> <p>19 it.</p> <p>20 Q. (BY MR. CHRISTIAN) This is separate and</p> <p>21 apart from the -- the assistance with raising debt</p> <p>22 capital that we spoke of earlier; is that right?</p> <p>23 A. Correct. One -- in the case of the bank</p> <p>24 revolver, you're raising -- you know, typically a</p> <p>25 company of Hunt's size, it would be not unusual to</p>	<p>1 think of that we've done for Hunt Oil Company.</p> <p>2 Q. And can you describe what commodity hedging</p> <p>3 is?</p> <p>4 A. It's just simply Hunt -- as you know,</p> <p>5 commodity prices are volatile and move up and down,</p> <p>6 and a lot of oil and gas companies customarily will</p> <p>7 go out to their lending group and essentially try to</p> <p>8 mitigate the price risk. So, they will lock in the</p> <p>9 price for crude or lock in the price for natural gas</p> <p>10 for a period of time, and we -- we provide that</p> <p>11 service for them.</p> <p>12 Q. Do you recall any specific monetary amounts</p> <p>13 associated with any of the hedging for Hunt in the</p> <p>14 last 10 years?</p> <p>15 A. I don't, no.</p> <p>16 Q. And would that also be reflected in JP</p> <p>17 Morgan's internal documents?</p> <p>18 A. It would, yes.</p> <p>19 MR. EICHMAN: Let me know when you</p> <p>20 finish with Hunt, if you would, because I'm going to</p> <p>21 designate this under the protective order.</p> <p>22 MR. CHRISTIAN: Absolutely.</p> <p>23 Q. (BY MR. CHRISTIAN) Would the Hunt</p> <p>24 transactions that involved raising debt capital also</p> <p>25 be reflected in JP Morgan's internal documentation</p>

2 (Pages 11 to 14)

Page 15	Page 17
1 for the last 10 years?	1 CHANGES AND SIGNATURE
2 A. Yes.	2 PAGE LINE CHANGE REASON
3 Q. Do you recall who you may have personally	3 _____
4 worked with at Hunt Oil?	4 _____
5 A. Most financing discussions are with the	5 _____
6 chief financial officer and the treasurer.	6 _____
7 Q. And do you recall the name of that	7 _____
8 individual?	8 _____
9 A. I do. The chief financial officer is Don	9 _____
10 O'Blard.	10 _____
11 MR. CHRISTIAN: I think, John, for	11 _____
12 your benefit, I'm going to move on from Hunt right	12 _____
13 now.	13 _____
14 MR. EICHMAN: Thank you. And for the	14 _____
15 court reporter's benefit, we have a protective order	15 _____
16 in this case and I'm going to designate as	16 _____
17 confidential under the protective order his testimony	17 _____
18 beginning with the first question that referred to	18 _____
19 Hunt Oil and continuing to this point in time in the	19 _____
20 transcript.	20 _____
21 Q. (BY MR. CHRISTIAN) Let me just go back now	21 _____
22 and ask you about your specific clients as far as	22 _____
23 coverage services.	23 _____
24 Did you ever have the Bass family as a	24 _____
25 client?	25 _____
Page 16	Page 18
1 A. No.	1 I, PASCHALL TOSCH, have read the foregoing
2 Q. Do you know whether JP Morgan did?	2 deposition and hereby affix my signature that same is
3 A. I'm not aware one way or the other.	3 true and correct, except as noted above.
4 Q. What about Murphy Oil?	4 _____
5 A. Yes, they are a client of the firm.	5 PASCHALL TOSCH
6 Q. Were they a client of yours?	6 _____
7 A. They are, yes.	7 _____
8 Q. How long have they been a client of yours?	8 THE STATE OF _____)
9 A. 10 plus years.	9 COUNTY OF _____)
10 Q. I need to go back to Hunt for just one	10 _____
11 second.	11 Before me, _____, on this
12 Did you ever assist Hunt Oil with	12 day personally appeared PASCHALL TOSCH, known to me
13 anything related to the South Texas Syndicate Trust?	13 or proved to me on the oath of _____ or
14 A. No.	14 through _____ (description of
15 Q. Do you know whether anyone at JP Morgan	15 identity card or other document) to be the person
16 did?	16 whose name is subscribed to the foregoing instrument
17 A. I have no knowledge, no.	17 and acknowledged to me that he/she executed the same
18 MR. CHRISTIAN: Okay. I'm moving on	18 for the purpose and consideration therein expressed.
19 from Hunt again, and I suspect that you'll want to --	19 Given under my hand and seal of office on this
20 MR. EICHMAN: Why don't you just	20 ____ day of _____ 2014.
21 extend the designation up to this point?	21 _____
22	22 _____
23	23 NOTARY PUBLIC IN AND FOR
24	24 THE STATE OF _____
25	25 My Commission Expires: _____

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Page 19	Page 21
<p>1 CAUSE NO. 2010-CI-10977</p> <p>2 JOHN K. MEYER, ET AL) IN THE DISTRICT COURT</p> <p>3 vs.) BEXAR COUNTY, TEXAS</p> <p>4 JP MORGAN CHASE BANK, N.A.)</p> <p>5 INDIVIDUALLY/CORPORATELY)</p> <p>6 AND AS TRUSTEE OF THE)</p> <p>7 SOUTH TEXAS SYNDICATE)</p> <p>8 TRUST and GARY P. AYMES)25TH JUDICIAL DISTRICT</p> <p>9</p> <p>10 REPORTER'S CERTIFICATE</p> <p>11 ORAL VIDEOTAPED DEPOSITION OF PASCHALL TOSCH</p> <p>12 February 11, 2014</p> <p>13 I, Shauna Foreman, Certified Shorthand Reporter</p> <p>14 in and for the State of Texas, hereby certify to the</p> <p>15 following:</p> <p>16 That the witness, PASCHALL TOSCH, was duly sworn</p> <p>17 and that the transcript of the deposition is a true</p> <p>18 record of the testimony given by the witness;</p> <p>19 That the deposition transcript was duly</p> <p>20 submitted on _____ to the witness or to</p> <p>21 the attorney for the witness for examination,</p> <p>22 signature, and return to me by</p> <p>23 _____.</p> <p>24 That pursuant to information given to the</p> <p>25 deposition officer at the time said testimony was</p>	<p>1 FURTHER CERTIFICATION UNDER TRCP RULE 203</p> <p>2</p> <p>3 The original deposition was/was not returned to</p> <p>4 the deposition officer on _____.</p> <p>5 If returned, the attached Changes and Signature</p> <p>6 page(s) contain(s) any changes and the reasons</p> <p>7 therefor.</p> <p>8 If returned, the original deposition was</p> <p>9 delivered to Michael S. Christian, Custodial</p> <p>10 Attorney.</p> <p>11 \$_____ is the deposition officer's charges to</p> <p>12 the Plaintiff for preparing the original deposition</p> <p>13 and any copies of exhibits;</p> <p>14 The deposition was delivered in accordance with</p> <p>15 Rule 203.3, and a copy of this certificate, served on</p> <p>16 all parties shown herein, was filed with the Clerk.</p> <p>17 Certified to by me on this _____ day of</p> <p>18 _____, 2014.</p> <p>19</p> <p>20</p> <p>21 Shauna Foreman, CSR</p> <p>22 Texas CSR 3786</p> <p>23 Expiration: 12/31/2014</p> <p>24 Kim Tindall & Associates</p> <p>25 645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> <p>Firm No. 631</p>
<p>Page 20</p> <p>1 taken, the following includes all parties of record</p> <p>2 and the amount of time used by each party at the time</p> <p>3 of the deposition:</p> <p>4 Michael S. Christian (1h10m)</p> <p>5 Attorney for Plaintiff</p> <p>6 John Eichman (0h16m)</p> <p>7 Attorney for Defendant</p> <p>8</p> <p>9 That a copy of this certificate was served on</p> <p>10 all parties shown herein on _____</p> <p>11 and filed with the Clerk.</p> <p>12 I further certify that I am neither counsel for,</p> <p>13 related to, nor employed by any of the parties in the</p> <p>14 action in which this proceeding was taken, and</p> <p>15 further that I am not financially or otherwise</p> <p>16 interested in the outcome of this action.</p> <p>17 Further certification requirements pursuant to</p> <p>18 Rule 203 of the Texas Code of Civil Procedure will be</p> <p>19 complied with after they have occurred.</p> <p>20 Certified to by me on this 11th day of</p> <p>21 February, 2014.</p> <p>22</p> <p>23 </p> <p>24 Shauna Foreman, CSR</p> <p>25 Texas CSR 3786</p> <p>Expiration: 12/31/2014</p> <p>Kim Tindall & Associates</p> <p>645 Lockhill Selma, Suite 200</p> <p>San Antonio, Texas 78216</p> <p>(210)697-3400</p> 	

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Kim Tindall & Associates, Inc. 645 Lockhill-Selma, Suite 200
Phone (210) 697-3400San Antonio, Texas 78216
Fax (210) 697-3408**Plaintiff's App. 00800**

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<div>Page 1</div> <div>(Consolidated Under) CAUSE NO. 2010-CI-10977</div> <div>JOHN K. MEYER, ET AL., § IN THE DISTRICT COURT</div> <div>§</div> <div>Plaintiffs, §</div> <div>§</div> <div>-vs- §</div> <div>§</div> <div>JP MORGAN CHASE BANK, N.A., §</div> <div>INDIVIDUALLY/CORPORATELY § 225th JUDICIAL DISTRICT</div> <div>AND AS TRUSTEE OF THE SOUTH §</div> <div>TEXAS SYNDICATE TRUST and §</div> <div>GARY P. AYMES, §</div> <div>§</div> <div>Defendants. § BEXAR COUNTY, TEXAS</div> <div>§</div> <div>VIDEO DEPOSITION OF DAVID HERFORD TAKEN ON BEHALF OF THE PLAINTIFFS ON FEBRUARY 14, 2014 IN OKLAHOMA CITY, OKLAHOMA</div> <div>ATKINSON-BAKER, INC. 800/288-3376</div> <div>JOB NO. A70D871</div> <div>REPORTED BY: KIMI GEORGE, CSR, RMR</div>	<div>Page 3</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>
<div>Page 2</div> <div>1 APPEARANCES</div> <div>2 FOR THE PLAINTIFFS:</div> <div>3 MR. MICHAEL S. CHRISTIAN</div> <div>ZELLE HOFMANN VOELBEL & MASON LLP</div> <div>4 44 Montgomery Street</div> <div>Suite 3400</div> <div>5 San Francisco, California 94104</div> <div>415/693-0700</div> <div>6 mchristian@zelle.com</div> <div>7 FOR THE DEFENDANTS:</div> <div>8 MR. DAVID JED WILLIAMS</div> <div>HORNBERGER SHEEHAN FULLER BEITER WITTENBERG &</div> <div>9 GARZA, INC.</div> <div>7373 Broadway</div> <div>10 Suite 300</div> <div>San Antonio, Texas 78209</div> <div>11 210/271-1731</div> <div>jwilliams@hsfblaw.com</div> <div>12</div> <div>13 VIDEOGRAPHER:</div> <div>14 MS. KATHY ROBERTS</div> <div>15</div> <div>16</div> <div>17</div>	<div>Page 3</div> <div>1 TABLE OF CONTENTS</div> <div>2 Page</div> <div>3 STIPULATIONS..... 4</div> <div>4 DIRECT EXAMINATION BY MR. CHRISTIAN..... 5</div> <div>5 CROSS-EXAMINATION BY MS. WILLIAMS.....106</div> <div>6 REDIRECT EXAMINATION BY MR. CHRISTIAN.....142</div> <div>7 REPORTER'S CERTIFICATION.....158</div> <div>8</div> <div>9</div> <div>10 EXHIBITS</div> <div>11 No. Description Page</div> <div>12 866</div> <div>13 Email.....134</div> <div>14</div> <div>15</div> <div>16</div> <div>17</div> <div>18</div> <div>19</div> <div>20</div> <div>21</div> <div>22</div> <div>23</div> <div>24</div> <div>25</div>

<p style="text-align: right;">Page 4</p> <p>1 Deposition of the witness, DAVID HERFORD, 2 taken in the offices of PC Executive Suites - Union 3 Plaza, 3030 Northwest Expressway, Oklahoma City, 4 Oklahoma, on Friday, February 14, 2014, at 8:59 a.m., 5 pursuant to the stipulations hereinafter set out.</p> <p>6 STIPULATIONS</p> <p>7 It is hereby stipulated by and between the 8 parties hereto, through their respective attorneys, 9 that the deposition of DAVID HERFORD, may be taken on 10 behalf of the Plaintiffs by Kimi George, Certified 11 Shorthand Reporter within and for the state of 12 Oklahoma.</p> <p>13</p> <p>14 It is further stipulated and agreed by and 15 between the parties hereto, through their respective 16 attorneys, that the deposition will be taken pursuant 17 to the Texas Rules of Civil Procedure.</p> <p>18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 6</p> <p>1 deposition, one of the things that we ask that you do 2 is to give oral answers, as opposed to saying uh-huh 3 or just nodding your head, and that way, the court 4 reporter can record precisely what you're saying. Do 5 you understand that?</p> <p>09:00 6 A. Yes.</p> <p>09:00 7 Q. One of the other things is that -- And we'll 8 be going sometimes back and forth with questions and 9 answers. We just have to be careful to not talk over 10 one another, because that can also jumble up the 11 record and make it a little difficult to read later 12 on. Do you understand that?</p> <p>09:00 13 A. Yes.</p> <p>09:00 14 Q. Can you tell me what your current address 15 is, sir?</p> <p>09:00 16 A. It is 1700 Apache Trail, Edmond, Oklahoma, 17 73003.</p> <p>09:00 18 Q. And how long have you lived there?</p> <p>09:01 19 A. Two years.</p> <p>09:01 20 Q. And where'd you live before that?</p> <p>09:01 21 A. In Hot Springs Village, Arkansas.</p> <p>09:01 22 Q. Hot Springs, Arkansas. And what were you 23 doing in Hot Springs, Arkansas?</p> <p>09:01 24 A. I was working on a -- as a permanent part- 25 time employee for JPMorgan Chase for the first four</p>
<p style="text-align: right;">Page 5</p> <p>08:59 1 MS. ROBERTS: We're on the record at 2 8:59 a.m.</p> <p>08:59 3 And thereupon, the said Defendants produced 4 the following witness,</p> <p>08:59 5 DAVID HERFORD, 08:59 6 having been first duly sworn, was examined and 7 testified on his oath as follows:</p> <p>08:59 8 DIRECT EXAMINATION</p> <p>08:59 9 BY MR. CHRISTIAN:</p> <p>08:59 10 Q. Mr. Herford, could I have you state your 11 name for the record, please?</p> <p>08:59 12 A. Okay. David Herford.</p> <p>08:59 13 Q. Mr. Herford, have you ever been deposed 14 before?</p> <p>08:59 15 A. Yes.</p> <p>08:59 16 Q. Can you tell me what that was in connection 17 with?</p> <p>08:59 18 A. Say an oil and gas partnership situation in 19 roughly 1989.</p> <p>08:59 20 Q. So it's been a little while. Is that right?</p> <p>09:00 21 A. It has.</p> <p>09:00 22 Q. Okay. Let me just go over a couple of the 23 ground rules for a deposition that'll hopefully make 24 everything go a little faster and a little smoother. 25 You may remember this, but when you're in a</p>	<p style="text-align: right;">Page 7</p> <p>1 years and unemployed the last year.</p> <p>09:01 2 Q. And when you say you were a permanent part- 3 time employee for JPMorgan in Hot Springs, can you 4 tell me what you were doing as far as your title and 5 your duties?</p> <p>09:01 6 A. I was working three days a week, and my -- 7 my duties, pretty much special-project-type work, 8 whatever was asked of me, whether it was supporting 9 the head of Oil and Gas or assisting one of the 10 property managers with whatever the situation may be.</p> <p>09:02 11 Q. Were you -- at the time you were in 12 Arkansas, were you doing any work on properties in 13 Texas?</p> <p>09:02 14 A. Not specifically, no.</p> <p>09:02 15 Q. Were you doing, generally, any work on 16 properties in Texas?</p> <p>09:02 17 A. I -- I wasn't working on properties. I was 18 helping the -- mainly the head of the oil and gas 19 department, or Hays Davis, with a couple of projects. 20 One was the conversion of certain properties and 21 accounts from JPMorgan management to CGI management 22 and assisted -- assisted with that. There was an 23 interest in moving work that was done by the oil and 24 gas department to India, so I assisted with that. 25 There was management reporting that was done; I</p>

<p style="text-align: right;">Page 8</p> <p>1 assisted with that. There -- there was a client 2 matter. I can't remember the specifics of it, but 3 they -- there was a -- I believe some title-related 4 issue, but that sort of thing.</p> <p>09:03 5 Q. Do you -- This case is about the South Texas 6 Syndicate Trust down in South Texas. Do you recall 7 whether any of these special projects that were 8 working on involved the South Texas Syndicate Trust?</p> <p>09:03 9 A. No.</p> <p>09:03 10 Q. No, you don't recall; or, no, it didn't 11 involve --</p> <p>09:03 12 A. Well, I don't specifically recall doing any 13 work on South Texas Syndicate properties or accounts. 14 I don't believe that I did.</p> <p>09:04 15 Q. You mentioned converting accounts to CGI. 16 That was one of the things that you did when you were 17 working part-time when you were in Hot Springs, 18 correct?</p> <p>09:04 19 A. Uh-huh.</p> <p>09:04 20 Q. What did that entail?</p> <p>09:04 21 A. It involved looking at the accounts and the 22 number of properties and the revenues on those and 23 trying to identify the accounts would be that would 24 lend themselves to being moved to CGI for management.</p> <p>09:04 25 Q. Were those typically the smaller accounts?</p>	<p style="text-align: right;">Page 10</p> <p>1 big swing, why did that happen, and to identify those 2 for follow-up research.</p> <p>09:06 3 On the flip side, if a well went from \$500 a 4 year to 10,000, why was that? Was there a -- you 5 know, the well improved or was there a release of 6 suspended funds? And so that it was again a 7 situation to identify where the wells had changed 8 drastically in one direction or another and then do 9 the follow-up. So they were being trained. We had 10 regular conference calls with a group over there, and 11 that was going to be their role.</p> <p>09:06 12 Q. Okay. So, aside from identifying 13 differences in well production, was there any other 14 aspect of JPMorgan's oil and gas management that was 15 transferred to India?</p> <p>09:07 16 A. Not that I'm aware.</p> <p>09:07 17 Q. Okay. Do you happen to know whether any 18 aspect of the STS Trust was, in fact, transferred to 19 India?</p> <p>09:07 20 A. I don't.</p> <p>09:07 21 Q. And you also mentioned that you did 22 management reporting while you were at Hot Springs. 23 Can you describe what that entailed?</p> <p>09:07 24 A. It involved a -- a -- a monthly report that 25 included revenue figures for the department, fee</p>
<p style="text-align: right;">Page 9</p> <p>09:04 1 A. That was, I believe, the intent initially, 2 yes.</p> <p>09:04 3 Q. And then you also mentioned something about 4 transferring some responsibilities over to India? Is 5 that right?</p> <p>09:05 6 A. Yes.</p> <p>09:05 7 Q. And can you describe what that project 8 entailed?</p> <p>09:05 9 A. Part of the work that's done is an annual 10 account review on each and every account, and certain 11 parts of that review was -- was in -- the intent was 12 to have that work done by a crew based in India, and 13 then that work passed back to the property manager 14 who was ultimately responsible for the -- the overall 15 review. So I was asked to help to -- to train them 16 on that part of the review, and we wound up changing 17 that to something where they could actually be more 18 useful and efficient in it.</p> <p>09:05 19 It was essentially looking at the -- the 20 assets and the revenue on the assets and trying to 21 identify any that had any large swings up or down 22 and -- and then identifying those for follow-up 23 research if it was needed, that if there was a well 24 that was producing, let's say, \$10,000 a year one 25 year and it went to \$500 a year the next, that was a</p>	<p style="text-align: right;">Page 11</p> <p>1 figures for the department, various other metrics: 2 the number of leases, the bonuses associated with 3 those leases; account openings, the anticipated 4 revenue and fee on those; account closings, the 5 estimated fee loss on those; number of employees, 6 ups, increases, decreases, that sort of thing.</p> <p>09:08 7 Q. And so, were you looking at the reporting, 8 or were you trying to figure out a way to have a more 9 efficient reporting system?</p> <p>09:08 10 A. Early on, I -- I was interested in having a 11 more efficient reporting system, and so we -- we 12 did -- The -- the reporting method changed from more 13 of an anecdotal paragraph style, telling -- each -- 14 each property manager would tell what they did, to 15 one that was more of -- of essentially the facts and 16 the figures.</p> <p>09:08 17 And so to make that consistent, we developed 18 a spreadsheet that each person could -- could fill 19 out, and then it would upfeed to a higher level and 20 eventually to a level that could be posted to the 21 report that was -- Kevin Smith was the head of the 22 Specialty Asset Group, and in a format that he 23 wanted.</p> <p>09:09 24 Q. And -- and do you recall whether any of your 25 work with respect to this managing -- management</p>

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09:09	1 reporting system specifically involved the STS Trust?	1	pretty much fell out, and I went into being a racing
09:09	2 A. It did not.	2	official for three or four years, in that area,
09:09	3 Q. Okay. And you also mentioned that you did	3	returned to oil and gas in 1994 at Liberty Bank, and
	4 some work in Hot Springs relating to title issues.	4	there really wasn't an interest in supporting -- I
	5 Is that right?	5	had attained a CPL status, but that required ongoing
09:09	6 A. Yeah, and that's -- that was a general	6	CEUs and that sort of thing, and they really weren't
	7 thing. I can't remember specifically what -- what it	7	interested in that, so it -- it expired and I've
	8 was, but sometimes it's a matter of -- of -- and I	8	never re -- retaken it.
	9 don't know that this was the case on this, so it'd	09:12	9 Q. Okay. So the -- the Certified Professional
	10 just be guessing. I -- I don't remember, to be	10	Landman, I guess certificate or qualification
	11 honest with you.	11	indication expired. Do you recall when that was?
09:09	12 Q. And do you remember whether any of the	09:12	12 A. Well, it would expire approximately one
	13 title-related issues that you addressed when you were	13	year -- I'm going to say in 1989 or '90, somewhere in
	14 in Hot Springs dealt with the STS Trust?	14	there.
09:10	15 A. Did not.	09:13	15 Q. Okay. And you also said that you have a
09:10	16 Q. Okay. And just to be clear, you would have	16	mineral management certification. Is that right?
	17 been in Hot Springs between -- I'm trying to do the	09:13	17 A. Uh-huh.
	18 math in my head, but what years were you in Hot	09:13	18 Q. And how did you get that?
	19 Springs?	09:13	19 A. That was through testing that's conducted by
09:10	20 A. I moved to Hot Springs in the summer of	20	the National Association of Royalty Owners.
	21 2007.	09:13	21 Q. And when did you get that, sir?
09:10	22 Q. Okay. And in the summer of 2007, you were	09:13	22 A. I'm -- I'm going to guess, 1997 or so, '96,
	23 still a full-time employee at JPMorgan. Is that	23	-7, -8, right in there.
	24 right?	09:13	24 Q. And is that still in effect?
09:10	25 A. No.	09:13	25 A. Yes.
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09:10	1 Q. No?	09:13	1 Q. Can you describe in your own words how a
09:10	2 A. I moved from a full-time employee to a	2	landman is different from a mineral manager?
	3 permanent part-time employee when I moved to Hot	09:13	3 A. Well, they -- they both do a lot of the same
	4 Springs, Arkansas. That would have been June of	4	things. Probably the biggest difference is a landman
	5 2007.	5	and -- And there's a distinction there between, let's
09:10	6 Q. And so, let me back up a little bit, and	6	say, a field landman and a company landman. A field
	7 I'll -- I'll get back to sort of your career	7	landman generally runs records in the counties and
	8 trajectory in a minute. Can you -- can you give me a	8	determines who owns the minerals, contacts those
	9 brief rundown on what your educational background is?	9	mineral owners, and negotiates the leases. Usually
09:11	10 A. Okay. I have a bachelor's degree from	10	they're hired by -- by a company or they work for
	11 University of Oklahoma in petroleum land management,	11	a -- a company that the oil company hires and they
	12 and that's the part that pertains to oil and gas.	12	send brokers out. That's -- that's one aspect of the
	13 I -- I have an associate's degree from Oklahoma State	13	job in a -- in a high-level sense.
	14 University in racetrack management.	09:14	14 The company landman directs that operation.
09:11	15 Q. In racetrack management?	15	They work with -- with the brokers on leasing. They
09:11	16 A. Uh-huh.	16	negotiate with other companies to participate in
09:11	17 Q. As in horses or dogs or both?	17	wells, negotiate farmouts, farm-ins, operating
09:11	18 A. Horses.	18	agreements. Pretty much they work with attorneys on
09:11	19 Q. Okay. And do you have any other	19	running title opinions prior to drilling. They work
	20 certifications or any other specialties?	20	with attorneys on division order title opinions.
09:11	21 A. Well, I have a Certified Mineral Management	21	After drilling, if it's a successful well, they
	22 certification. At -- at one time, I passed the --	22	oversee many times the negotiation of surface
	23 what's called the Certified Professional Landman	23	damages, all those kind of things.
	24 testing. That -- that lapsed. When I left the	09:15	24 The difference between that and a mineral
	25 industry in the middle '80s, the oil and gas industry	25	manager is, generally speaking, mineral managers do

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	1 not handle land work associated with drilling a -- a	09:18 1	Q. Okay. And what did you do after that?
	2 well.	09:18 2	A. I went to work for a company called Terra
09:15 3	Q. I'm sorry. Could you repeat that?	3	Resources in Houston, and I managed primarily south
09:15 4	A. Yes. They generally do not handle land work	4	Louisiana for them. They -- they put together oil
	5 associated with drilling a well, and that would be	5	and gas teams that consisted of a geologist, a
	6 having brokers buy oil and gas leases, that would be	6	geophysicist, a landman, and an engineer to cover the
	7 having attorneys run title opinions, that would be	7	area that you were assigned. So I worked on the
	8 negotiating with other companies to either	8	south Louisiana team.
	9 participate or to support the well with -- with	09:18 9	Afterwards, they promoted me and moved me to
	10 farmouts, farm-ins, dry hole contributions, that sort	10	Denver to handle the Williston Basin area to be part
	11 of thing. So, those are things that are not normally	11	of the Williston Basin team. And so I did that up
	12 done by a mineral manager versus what's done by the	12	and for a year with them, and I left them and went to
	13 landman for the company.	13	work for another company called Louisiana Land
09:16 14	Q. And is it fair to say that oftentimes the	14	Exploration, still handling the Williston Basin for
	15 mineral manager and the landman are on the opposite	15	them.
	16 sides of the transaction?	09:19 16	Q. And when did you leave Terra?
09:16 17	A. Well, the -- the -- the mineral manager can	09:19 17	A. 1981.
	18 be a landman. I was a landman working as a mineral	09:19 18	Q. Okay.
	19 manager. But -- and so, even in the oil industry,	09:19 19	A. Terra was in the process of being sold, and
	20 the two landmen can be on the opposite side: what one	20	they were a subsidiary of Farmland Industries, who
	21 wants -- wants, the other has, and there's a	21	was struggling at the time, and so they -- it was
	22 negotiation done involving that.	22	pretty well known they were selling the company, and
09:16 23	The same thing happens with the mineral	23	I went to work for LL&E then in '81 and worked for
	24 manager working for a trust or a management company	24	LL&E in Denver up until the start of 1987.
	25 that owns or controls -- their clients own or	09:19 25	At that point in time, oil and gas prices
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	1 controls minerals and leasehold, and the company		1 had plummeted, oil companies had pretty much pulled
	2 approaches them for a deal to either lease those		2 back on any kind of drilling and leasing, and so
	3 minerals or farmout on the leasehold, that sort of		3 they -- at the same time, there was a gas marketing
	4 thing.		4 company being formed by LL&E, and they offered me a
09:17 5	So, yeah, to answer your question, they're		5 position in New Orleans to -- to move there and do
	6 on opposite sides in that sense.		6 that as a natural gas marketer. So I did that and
09:17 7	Q. Okay. What type of education or training is		7 worked in New Orleans for two years. Left LL&E --
	8 typically required to become a mineral manager?	09:20 8	I was let go as part of a massive layoff in -- at the
09:17 9	A. You know, some universities have land	9	end of 1988, so moved back to Oklahoma in 1989.
	10 management degrees; other people were degreed in	09:20 10	Q. It's a somewhat cyclical business, depending
	11 other areas and were trained by an oil company. So	11	on how the commodities are doing, isn't it?
	12 it isn't necessarily that they had an oil and	09:20 12	A. Yeah, it's -- it's kind of feast or famine,
	13 gas-related degree. They might have had a business	13	yeah.
	14 degree and -- or other degrees, and -- and they were	09:20 14	Q. Yeah. When you were at Terra and LLE, were
	15 hired by the company and -- and trained.	15	you doing mineral management? Or exactly what was it
09:17 16	Q. And learned on the job?	16	you were doing?
09:17 17	A. Uh-huh.	09:20 17	A. I was a company landman.
09:17 18	Q. Now, we had gone through a bit of your	09:20 18	Q. Okay. And then, after you came back in
	19 employment history. Let's see. I think you	19	1989, what did you do then?
	20 mentioned that you graduated with a bachelor's in	09:20 20	A. Went back to school, and at the same time
	21 petroleum land management from the University of	21	I -- during -- during the time of the late '70s and
	22 Oklahoma, correct?	22	'80s, I had been involved in breeding and raising
09:18 23	A. Yes.	23	racehorses, and it was a -- you know, initially, it
09:18 24	Q. And what year was that?	24	was somewhat of a hobby, but it -- it became more of
09:18 25	A. 1976.	25	a stronger interest for me, so with the oil business

<p style="text-align: right;">Page 20</p> <p>1 falling out the way it did -- a new racetrack had 2 been opened here in Oklahoma City, and I felt like 3 that maybe I would pursue that area of interest, so I 4 went back to school to get a racetrack management 5 degree. At the same time, I went to work at 6 Remington Park and worked my way up to being a racing 7 official at Remington, did that for a couple of years 8 here in the state of Oklahoma and then was hired by 9 the Oklahoma Horse Racing Commission as director of 10 racing for a couple of years.</p> <p>09:21 11 One of the things that you were not allowed 12 to do was be involved in breeding and racing in that 13 position, and so --</p> <p>09:21 14 Q. Conflict?</p> <p>09:21 15 A. Yeah, conflict, and in Oklahoma, at -- at 16 least. In other states, they didn't view it that 17 way, but I felt, for me, the -- the thing that I was 18 interested in was something I couldn't be doing, so I 19 decided to go back to work in oil and gas, and that's 20 when I went to work for Liberty Bank in 1994.</p> <p>09:22 21 Q. And what did you do when you went to work 22 for Liberty Bank? What was your position?</p> <p>09:22 23 A. Initially, I was a junior property manager, 24 which was the only position that was open. But in 25 that role, I -- I was tasked with handling all of the</p>	<p style="text-align: right;">Page 22</p> <p>1 One, and in 2004, JPMorgan Chase acquired Bank One. 09:23 2 MR. WILLIAMS: I'm sorry. What year did 3 Bank One acquire the Liberty Bank? 09:23 4 THE WITNESS: In '97. 09:23 5 MR. WILLIAMS: Okay. I'm sorry. I didn't 6 mean to interrupt. 09:23 7 MR. CHRISTIAN: Oh, no problem. 09:23 8 BY MR. CHRISTIAN: 09:23 9 Q. And did your position or duties change 10 during this time period? 09:24 11 A. They did. In '97, I was promoted to the 12 head of the Oklahoma City office with the Bank One 13 merger, and I was in that role until 2005, when I was 14 promoted to the head of the merged oil and gas 15 department at JPMorgan Chase. Then to take that a -- 16 a step further, in -- that would have been in 2005 17 that I moved to Fort Worth with that promotion. 09:24 18 In March or April of 2007, I resigned the 19 managing director position with the -- and shared 20 that I would be moving to Arkansas. I was asked at 21 the time what I was going to be doing, and so my 22 intent was to work three days a week as a consultant 23 in Oil and Gas, and I was then offered a position 24 from -- working from the home office as a permanent 25 part-time employee from -- from Arkansas, and so</p>
<p style="text-align: right;">Page 21</p> <p>1 lease negotiations for the Oklahoma City office, 2 assisting with annual account reviews, and whatever 3 other duties that -- that were needed, I -- I would 4 do.</p> <p>09:22 5 Q. And so, at that point, were you working in 6 trusts when you were doing lease negotiations?</p> <p>09:22 7 A. It was an arm of the trust, yes. The trust 8 oil and gas area, we worked under the trust 9 department or as part of the trust department.</p> <p>09:22 10 Q. Was that the first time that you -- in 1994, 11 when you were at Liberty Bank, was that the first 12 time that you started negotiating leases on behalf of 13 mineral owners?</p> <p>09:23 14 A. Yes.</p> <p>09:23 15 Q. Okay. And how long did you do that?</p> <p>09:23 16 A. Until now.</p> <p>09:23 17 Q. Okay. And was Liberty Bank ultimately 18 acquired by Bank One?</p> <p>09:23 19 A. It was.</p> <p>09:23 20 Q. Okay. And you stayed through that 21 acquisition?</p> <p>09:23 22 A. Yes.</p> <p>09:23 23 Q. And then, were there additional 24 acquisitions?</p> <p>09:23 25 A. Well, Liberty was acquired in '97 by Bank</p>	<p style="text-align: right;">Page 23</p> <p>1 that's what I agreed to do. My understanding at that 2 point was that I was no longer going to be the head 3 of the oil and gas department. 09:25 4 Q. Okay. Let me back up a little bit. So, in 5 2005, JPMorgan and Bank One had already merged, 6 correct? 09:25 7 A. Uh-huh. 09:25 8 Q. Now, what was your title at what would now 9 be, I guess, JPMorgan? 09:26 10 A. From 2004 to 2005? 09:26 11 Q. Yes. 09:26 12 A. I'm going to say senior property manager, 13 senior mineral manager, something like that. I don't 14 remember. It changed back and forth. They -- they 15 changed titles. 09:26 16 Q. And then, in 2005, you were promoted -- and 17 I'm sorry. I just didn't catch the -- I know you 18 were the head of -- 09:26 19 A. Uh-huh. 09:26 20 Q. -- what was that? 09:26 21 A. I was -- I was promoted to -- I'm going to 22 say it was the head of Oil and Gas, and then part of 23 that title was managing director. 09:26 24 Q. And that was in JPMorgan's trust department? 09:26 25 A. Uh-huh. Actually, it was in the specialty</p>

<p style="text-align: right;">Page 24</p> <p>1 asset department. I don't -- I don't think it was 2 considered the trust department.</p> <p>09:26 3 Q. Right. That's correct. Okay. Sometimes I 4 get a little mixed up. But Specialty Assets.</p> <p>09:27 5 So, then, from 2005 until 2007, you were the 6 head of Oil and Gas man -- managing director in 7 JPMorgan's Specialty Assets Group?</p> <p>09:27 8 A. For the oil and gas part of the Specialty 9 Asset Group.</p> <p>09:27 10 Q. Okay. And where were you located during 11 that time?</p> <p>09:27 12 A. Fort Worth.</p> <p>09:27 13 Q. Fort Worth. And then, in 2007, I -- it 14 sounds like you decided you -- you were going to move 15 to Hot Springs, Arkansas. Is that right?</p> <p>09:27 16 A. Uh-huh.</p> <p>09:27 17 Q. And was that your decision?</p> <p>09:27 18 A. It was.</p> <p>09:27 19 Q. Okay. And can you tell me why you decided 20 to go to Hot Springs?</p> <p>09:27 21 A. Well, going back to my horse racing 22 experience. We had gone to Hot Springs quite a few 23 times over the years and had just fallen in love with 24 the area, and so it was something that my wife and I 25 wanted to do. At the same time, there was an oil and</p>	<p style="text-align: right;">Page 26</p> <p>1 attrition at that time, mainly on the JPMorgan side, 2 so there was a hiring that needed to be done in the 3 Houston office and the Dallas office, so it was 4 working with -- with those offices on replacing 5 property managers that had left.</p> <p>09:30 6 It was -- part of it for me was -- was a 7 learning role, going from an Oklahoma City manager 8 for the oil and gas group to the national manager, 9 and there was a reporting component in continuing to 10 work with the JPMorgan property managers on being 11 more active in a -- in a sales role, which the model 12 that was at Bank One was the model adopted by 13 JPMorgan Chase, even those were the acquiring bank, 14 and so that was -- that was part of that role. And 15 at -- at the same time, I still had approximately 60 16 accounts of my own that I -- that I had to manage.</p> <p>09:31 17 Q. Do you recall -- You were national mineral 18 manager between 2005 and 2007, right?</p> <p>09:31 19 A. Uh-huh.</p> <p>09:31 20 Q. Do you recall how many mineral managers you 21 had reporting to you at that time?</p> <p>09:31 22 A. I would say 20, 21. Actually, reporting to 23 me, that's not correct. We had a hierarchy. There 24 were 20 or 21 total property managers on -- on staff, 25 and our hierarchy was that each office had a senior</p>
<p style="text-align: right;">Page 25</p> <p>1 gas play going on in Arkansas, and I felt like 2 there'd be an opportunity to continue to work as a 3 consultant. So those two things combined was what 4 led us to -- to move there.</p> <p>09:28 5 Q. And -- and which oil and gas play was that?</p> <p>09:28 6 A. The Fayetteville Shale.</p> <p>09:28 7 Q. And did you have any involvement in the 8 Fayetteville Shale while you were in Hot Springs?</p> <p>09:28 9 A. No.</p> <p>09:28 10 Q. Okay. Did you have any involvement in horse 11 racing?</p> <p>09:28 12 A. Yes, I did.</p> <p>09:28 13 Q. Okay. Which is one of the reasons why you 14 wanted to go, right?</p> <p>09:28 15 A. Well, the involvement was in racing, but not 16 in Arkansas, so I continued with that up until just a 17 few years ago, so.</p> <p>09:29 18 Q. So, let me ask you generally. When you were 19 at JPMorgan in 2005 through 2007, can you describe 20 what your duties were?</p> <p>09:29 21 A. It was a combination of -- Initially, we 22 merged two different groups, and so that involved 23 working with the two groups and trying to draft a new 24 set of procedures that would work for the combined 25 group. It involved overseeing that we'd -- There was</p>	<p style="text-align: right;">Page 27</p> <p>1 property manager, and that was the person that 2 actually reported to me, was the senior property 3 manager. Each of those offices had anywhere from one 4 or two up to five or six property managers, depending 5 on the location. And for example, in Oklahoma City, 6 there was -- there were two property managers; in 7 Houston, I want to say four, five or six; in Dallas, 8 there were four or five or six; in Fort Worth, there 9 were two separate teams, if you will, that had three 10 or four on each team. So, all in all, there were 11 four or five or six senior property managers that -- 12 that reported to me.</p> <p>09:32 13 Q. And we've discussed Oklahoma and Texas. Did 14 you have any responsibility for mineral management in 15 states outside of Oklahoma and Texas?</p> <p>09:32 16 A. Did I, personally?</p> <p>09:32 17 Q. Yes.</p> <p>09:32 18 A. I had an account that was based in 19 Detroit -- that's where the original account -- or 20 the account originated -- that had properties in 21 Michigan, so I was responsible for that. I had an 22 account that had properties in Ohio; I was 23 responsible for that. I had accounts that had 24 properties in many states: Oklahoma, Texas, to 25 Mexico, Louisiana, so I was responsible for those.</p>

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	1 That's kind of the nature of the business, is the		1 time Al Leach?
	2 clients may live in one state and have properties	09:37	2 A. I don't recall.
	3 scattered over numerous states.	09:37	3 Q. Do you recall ever working with Gary Aymes?
09:33	4 Q. And do you happen to remember the names of	09:37	4 A. Yes.
	5 the five or six senior mineral managers that were	09:37	5 Q. Can you describe what you did with Gary
	6 reporting to you during that time period?		6 Aymes?
09:33	7 A. Uh-huh. In Fort Worth, it was Tim Raetz and	09:37	7 A. I can't recall, but I do -- do recall the
	8 Bill Coats. In Dallas, it was initially Iris		8 name.
	9 Bradley; later, she was replaced by Sheri Henderson.	09:37	9 Q. And he -- he was a fiduciary officer at the
	10 In Oklahoma City, it was Kelly Hightower, was later		10 time you were still employed with JPMorgan. Does
	11 replaced by Mike Turman. In Houston -- I'll just go		11 that sound right to you?
	12 ahead and give Houston -- it was Greg Crow. In -- I	09:38	12 A. Uh-huh.
	13 believe later H.L. Tompkins was hired there. In	09:38	13 Q. Okay. Did you ever have any personal
	14 Shreveport, it was Lynn Stephens, who later married		14 interaction with him, do you know?
	15 and became Lynn Higginbotham. And in San Antonio --	09:38	15 A. You know, I -- I've -- I may have. I don't
	16 later on she was hired by Greg Crow as a property		16 recall what it was involving.
	17 manager and then promoted to senior property manager	09:38	17 Q. And so, you have now been at Heritage Trust
	18 in San Antonio, was Patty Ormond.		18 for two years. Is that right?
09:34	19 Q. Okay. Do you recall when she became a	09:38	19 A. That's right.
	20 senior property manager, Ms. Ormond?	09:38	20 Q. And when did you start at Heritage Trust?
09:34	21 A. I'm -- I'm going to guess 2006, late -6,	09:38	21 A. In March of 2012.
	22 early -7, somewhere in there.	09:38	22 Q. Okay. And what is your title at Heritage
09:35	23 Q. And -- and at that time, during 2005-2007		23 Trust?
	24 time period, who were you reporting to?	09:38	24 A. I'm a senior property manager.
09:35	25 A. Initially, I was reporting to Paul Midkiff,	09:38	25 Q. And what, specifically, do you do at
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	1 who was the head of Specialty Assets. Later that		1 Heritage Trust?
	2 became Kevin Smith.	09:38	2 A. I manage oil and gas properties and clients'
09:35	3 Q. And so, in 2007, then you went to Hot		3 accounts that are either in a trust relationship or
	4 Springs and started working as a permanent part-time		4 an agency relationship with Heritage Trust.
	5 employee three days a week. Is that right?	09:39	5 Q. And when you say you manage oil and gas
09:36	6 A. Uh-huh.		6 properties, can you tell me what the day-to-day is on
09:36	7 Q. And can you tell me when you ultimately left		7 that?
	8 that position?	09:39	8 A. Day-to-day would involve negotiating oil and
09:36	9 A. Would have been the end of -- been December,		9 gas leases, reviewing -- doing annual account reviews
	10 I want to say 2010 or '11. Let me kind of back up		10 on a -- on a monthly basis as those come up, handling
	11 from here. I've been here two years and I was out of		11 title issues, if -- if there are title issues
	12 work for a year, so what would that add up to? 2011,		12 associated with a proceeding well, in order to get
	13 December 2011.		13 money that's in -- revenues that are in suspense
09:36	14 Q. And why did you leave JPMorgan in about		14 released; communicating with clients, what's going on
	15 2011?		15 in their accounts as to the oil and gas.
09:36	16 A. It was either -- that I can add it up, and	09:40	16 Q. Anything else that comes to mind?
	17 it's either '11 or '12, but it was they terminated my	09:40	17 A. Not off the top of my head, no.
	18 position.	09:40	18 Q. Now, you're aware that this case that we're
09:36	19 Q. Do you know why?		19 here about today involves the South Texas Syndicate
09:36	20 A. No. It was -- it was in conjunction with		20 Trust, correct?
	21 terminating the -- I'm trying to think if there were	09:40	21 A. Yes.
	22 other offices that they were also shutting down, if	09:40	22 Q. Was the STS Trust one of the accounts that
	23 you will. So I think it was part of that.		23 was under your purview before you left JPMorgan in
09:37	24 Q. And at the time that you were at JPMorgan in		24 2007?
	25 2005 through 2007, was a fiduciary officer at that	09:40	25 A. Well, it was not one of my accounts that I

<p style="text-align: right;">Page 32</p> <p>1 was responsible for managing. I believe it was an 2 account that was one of the accounts in the oil and 3 gas area that was managed by -- well, it would have 4 been originally San Antonio and moved to Houston, is 5 my understanding -- this is before my time -- and 6 then moved back to San Antonio. But it was never 7 under, directly under, my purview per se as -- as the 8 manager of that account, no.</p> <p>09:41 9 Q. Okay. And do you recall who was managing 10 that account at JPMorgan?</p> <p>09:41 11 A. Patty Ormond.</p> <p>09:41 12 Q. Did she report to you on the STS account?</p> <p>09:41 13 A. She reported to me on -- on everything that 14 she was responsible for, so that -- that would 15 include the STS account.</p> <p>09:41 16 Q. One -- one of the issues in this case 17 involves six Petrohawk leases that were signed 18 between May and December of 2008 with regard to 19 certain amounts of STS mineral acreage. Now, you 20 said you left JPMorgan in 2007. What month was that?</p> <p>09:42 21 MR. WILLIAMS: Objection to form.</p> <p>09:42 22 A. June. As far as leaving -- Now, let me 23 rephrase that. You want to know -- know when I left 24 Fort Worth?</p> <p>09:42 25 Q. Yeah. I should -- I should have asked that</p>	<p style="text-align: right;">Page 34</p> <p>1 position as national mineral manager in June of 2007, 2 it would not be likely that you would have had any 3 preliminary discussions with Ms. Ormond or anyone 4 else at JPMorgan about those leases, right?</p> <p>09:43 5 A. Not the leases particularly. There were 6 some general discussions about the prospects that she 7 was trying to develop and -- and promote to the 8 industry to get interest from the oil industry to 9 take a lease and drill a well. I was aware of that. 10 But as far as the specifics of a -- of a particular 11 lease negotiation, no.</p> <p>09:44 12 Q. And correct me if I'm wrong. Were the 13 discussions that you had with her about potentially 14 going to NAPE and marketing some of the deeper rights 15 on the STS acreage?</p> <p>09:44 16 A. Yes.</p> <p>09:44 17 Q. And do you remember specifically what deep 18 rights she was trying to market at NAPE?</p> <p>09:44 19 A. I do not remember specifically.</p> <p>09:44 20 Q. It wasn't the Eagle Ford, though, was it?</p> <p>09:44 21 A. I mean, it might have been. At that time, 22 it -- it could have been other -- I think there were 23 multiple formations that they were trying to 24 represent as being prospective. The Eagle Ford may 25 have been one of those. But it was very early in</p>
<p style="text-align: right;">Page 33</p> <p>1 better.</p> <p>09:42 2 A. Okay. That's what I thought you meant.</p> <p>09:42 3 Q. You -- you left your position as national 4 mineral manager at JPMorgan in June of 2007. Is that 5 right?</p> <p>09:42 6 A. That's correct.</p> <p>09:42 7 Q. And then you moved to Fort -- to Hot 8 Springs --</p> <p>09:42 9 A. Yes.</p> <p>09:42 10 Q. -- Arkansas --</p> <p>09:42 11 A. Uh-huh.</p> <p>09:42 12 Q. -- and you did special projects for JPMorgan 13 for a few years until you left, I think it was 2011. 14 Is that right?</p> <p>09:42 15 A. I think so.</p> <p>09:42 16 Q. Okay. And we already discussed the special 17 projects that you did, so I -- I think I'm -- I'm 18 clear on that. Given that you left your position at 19 JPMorgan as national mineral manager in June of 2007, 20 is it -- is it fair to assume that you never talked 21 with Patty Ormond or anyone else at JPMorgan about 22 any of the six STS leases to Petrohawk that were 23 signed between May and December of 2008?</p> <p>09:43 24 A. That's correct.</p> <p>09:43 25 Q. And I guess also, because you left your</p>	<p style="text-align: right;">Page 35</p> <p>1 that play, so it wasn't the prospective formation 2 that -- that it is now, for example. But she had 3 worked with a geophysicist to reprocess seismic data 4 and develop prospects on -- on the property and had 5 maps and such that she presented at NAPE. And I -- I 6 attended one of the NAPEs -- I believe it was -- I'm 7 going to say 2008 -- where those were -- were being 8 presented. She was still trying to find someone to 9 have that -- you know, encourage someone to take an 10 interest in -- in the property, buy leases from 11 JPMorgan, and drill wells.</p> <p>09:45 12 Q. And the geophysicist, do you recall if that 13 was Bob Mueller?</p> <p>09:45 14 A. That sounds familiar, but I'm -- I'm not 15 sure if that was correct or not.</p> <p>09:46 16 Q. And although I think I know the answers to 17 these questions, I'm just going to go ahead and 18 introduce a couple of these leases as exhibits just 19 so we can clarify. I'm handing you what has 20 previously been marked as Exhibit 7 and I will also 21 hand you what has previously been marked as 22 Exhibit 9. And I'll represent to you that these 23 are -- these are leases that were signed as between 24 STS on behalf of JPMorg -- JPMorgan on behalf of STS 25 with Petrohawk in 2008, and I just wanted to ask you,</p>

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09:47	1 Have you -- have you ever seen these leases before?	09:51	1 A. No. With -- with Petrohawk?
09:47	2 A. To my knowledge, no.	09:51	2 Q. Well, have you ever seen a letter that's
09:47	3 Q. Have you ever talked with Patty Ormond or	3	signed by a JPMorgan employee and an oil producer
09:47	4 anyone at JPMorgan about these leases?	4	where it's a recommendation to commit certain acreage
09:47	5 A. No.	5	as opposed to an actual lease?
09:47	6 Q. And I'm going to do the same with what has	09:51	6 A. I don't recall.
09:47	7 been previously marked as Exhibit 11. If you'd take	09:51	7 Q. I'm just trying to find out whether or not
09:47	8 a look at that. This is a July of 2008 lease to	8	it was normal business practice at JPMorgan to use
09:47	9 Petrohawk regarding certain STS mineral acreage.	9	these kinds of letters.
09:47	10 Have you -- have you ever seen that lease before?	09:51	10 A. I -- I think it's normal business practice
09:47	11 A. No.	11	in the oil and gas industry to have letter agreements
09:47	12 Q. Did you ever talk with Patty Ormond or	12	that are followed up by actual agreements, if you
09:47	13 anyone else at JPMorgan about that lease?	13	will. The letter agreements are -- are a -- a letter
09:47	14 A. No.	14	of intent, which is what this one's called. But I
09:47	15 Q. And you never talked with anyone at JPMorgan	15	don't recall that -- that it was normal. It -- it
09:47	16 about any of these three leases and the negotiation	16	may have been used. I don't recall.
09:47	17 processes. Is that fair to say?	09:52	17 Q. Did -- did you, when you were at JPMorgan,
09:48	18 A. That's fair to say, yeah, I did not.	18	have any view on whether this was a binding
09:48	19 Q. Let me hand you the last three of the six	19	commitment when it was signed by both of the parties,
09:48	20 leases, which have previously been marked as	20	or was it simply something less than binding as you
09:48	21 Exhibits 15, 17, and 19. And just the same	21	saw these used?
09:48	22 questions. These are -- these three leases are	09:52	22 MR. WILLIAMS: Objection, form.
09:48	23 Petrohawk leases that were signed on behalf of the	09:52	23 A. This -- I've never seen this before, okay,
09:48	24 STS Trust in December of 2008. Have -- have you ever	24	and I don't recall seeing others, so I -- I don't
09:48	25 seen any of these three leases before?	25	know that I can answer that.
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09:49	1 A. No.	09:52	1 Q. Fair enough. So, before you left your
09:49	2 Q. Did you play any role in the negotiation of	2	position as national mineral manager at JPMorgan in
09:49	3 these leases?	3	2007, can you tell me what your involvement was with
09:49	4 A. No.	4	the STS Trust?
09:49	5 Q. Have you ever talked with anyone at JPMorgan	09:53	5 A. I didn't have any direct involvement with
09:49	6 about any of these three leases?	6	STS Trust.
09:49	7 A. No.	09:53	7 Q. Can you tell me what your indirect
09:49	8 Q. Let me go ahead and hand you what has	8	involvement was?
09:49	9 previously been marked as Exhibit 34. Could you take	09:53	9 A. Actually, I didn't have any involvement with
09:49	10 a look at that for a second?	10	STS Trust.
09:50	11 A. (Witness complies.)	09:53	11 Q. No direct or indirect involvement?
09:50	12 Q. Well, this is a letter dated October 22nd,	09:53	12 A. That's right.
09:50	13 2008, from Petrohawk, and it is signed by a Charles	09:53	13 Q. Do you recall any reports that came to you
09:50	14 Cusack and Patricia Schultz-Ormond. And this letter	14	on the STS Trust?
09:50	15 discusses leasing of certain remaining acreages, STS	09:53	15 A. No, I don't recall any. I -- I would -- I
09:50	16 acreages, to Petrohawk. Do you see that?	16	would say there was probably mention in -- in the
09:50	17 A. Okay.	17	monthly reporting of -- of -- but I don't know that I
09:51	18 Q. Have you ever seen this letter before?	18	can't recall any of that. I'm -- I'm just saying
09:51	19 A. No.	19	maybe so.
09:51	20 Q. Have you ever talked with anyone at JPMorgan	09:54	20 Q. Was it one of -- of many accounts that your
09:51	21 about this letter?	21	senior mineral managers were responsible for? Is
09:51	22 A. No.	22	that why it's a little difficult to --
09:51	23 Q. Have you ever seen anything like this letter	09:54	23 A. Well, that's -- it's that, and -- and the
09:51	24 at JPMorgan?	24	only thing I really recall of STS was that Patty had
09:51	25 MR. WILLIAMS: Objection, form.	25	gone to a great deal of -- of work and effort to try

<p style="text-align: right;">Page 40</p> <p>09:54 1 to create activity on the property and she was 2 involved in that. And that was the amount of 3 knowledge that I had, was that she was working with 4 the geophysicist, and they were developing prospects 5 that they hoped they could grant leases on and -- and 6 cause drilling.</p> <p>09:54 7 And it seemed like to me she was going above 8 and beyond what -- what is normally done by a mineral 9 property manager in most oil and gas trust 10 departments, because it involved a -- a level of 11 expertise that you usually see on the oil company 12 side, where you're generating actual drilling 13 prospects, which is what she was trying to do, and I 14 was very much impressed with that.</p> <p>09:55 15 Q. Do you recall whether you had any direct or 16 indirect involvement with the STS Trust after you 17 left your position as national mineral manager in 18 2007?</p> <p>09:55 19 A. The -- I don't know if you'd consider this 20 involvement. I -- I was asked to go to San Antonio 21 and -- and collect files, and those may have been STS 22 files. I -- I don't really recall. They may have 23 been other account files and STS was the one that was 24 left behind, so there had to be a segregation of the 25 two.</p>	<p style="text-align: right;">Page 42</p> <p>09:57 1 Q. Do you know what the process was at JPMorgan 2 that was used when an oil producer would request a 3 primary term extension?</p> <p>09:57 4 A. I'm trying to -- I'm trying to figure out 5 how to -- how to answer. The process. I think it's 6 like any lease negotiation, any leasing, you have to 7 look at it on its merits as to why they were 8 requesting it. What was the compensation, if any, 9 that was being offered for it? Was there a reason 10 that they were offering it? Those would all have to 11 be explored by the property manager handling -- 12 handling that account and a determination made 13 whether it was reasonable or not.</p> <p>09:58 14 Q. And would the property manager make that 15 determination or would that go higher up the chain?</p> <p>09:58 16 A. Well, it was -- it was -- each property 17 manager was tasked with managing the properties in 18 the accounts that -- that were assigned to them, and 19 so they would have conducted and handled that 20 negotiation.</p> <p>09:58 21 Q. And would they have been allowed to do an 22 amendment to, for example, extend a primary term 23 without any further review or sign-off?</p> <p>09:59 24 A. There was always a -- a two-part sign-off on 25 a -- on a lease. I don't recall any extensions that</p>
<p style="text-align: right;">Page 41</p> <p>09:55 1 But that -- again, the -- the only thing I 2 recall was the -- the prospects that she was trying 3 to promote in the industry, the boards that she 4 brought to NAPE that had the seismic sections on them 5 and the maps showing the -- the prospects relative to 6 the properties. But other than that, no.</p> <p>09:56 7 Q. Do you recall whether, during your entire 8 tenure at JPMorgan, which would include in 2005 all 9 the way up to July through -- I think you left in 10 2011. Is that right?</p> <p>09:56 11 A. Well, I guess I need to go back and -- and 12 figure it.</p> <p>09:56 13 Q. 2011 or 2012?</p> <p>09:56 14 A. Well, I -- be December, I guess, of 2011. 15 Let me think about it. No. It would be December of 16 2010. I was off work in '11. I started work for 17 Heritage Trust in March of 2012.</p> <p>09:57 18 Q. Okay. So you -- you were at JPMorgan in 19 some capacity between 2005 to 2010. Is that right?</p> <p>09:57 20 A. Yes.</p> <p>09:57 21 Q. Okay. Do you recall whether, during that 22 time period, you had any role in any lease extensions 23 or lease amendments of STS minerals involving Hunt 24 Oil or Broad Oak?</p> <p>09:57 25 A. To my recollection, I did not.</p>	<p style="text-align: right;">Page 43</p> <p>1 were -- that were ever done, so I -- I would have 2 thought that that would have been a two-part sign-off 3 as well. But I -- I don't recall any ever being 4 done.</p> <p>09:59 5 Q. Now, at Heritage Trust, how does a decision 6 whether to grant a primary term extension get made 7 and addressed?</p> <p>09:59 8 A. Hasn't come up.</p> <p>09:59 9 Q. Do you know what the process would be if it 10 did come up?</p> <p>09:59 11 A. It would be the same thing that I just 12 described: Looking at the reason for it. Was there 13 consideration being offered for it? Was it a -- a 14 good situation for the client to do?</p> <p>10:00 15 Q. And so, you would look at the amount of 16 consideration being offered, correct?</p> <p>10:00 17 A. Correct.</p> <p>10:00 18 Q. And would you also look at what market rates 19 for similar acreage were going for at the time of the 20 extension?</p> <p>10:00 21 A. I -- I think we would take that into 22 account.</p> <p>10:00 23 Q. Would there be a review process at Heritage, 24 or would the property manager make the decision by 25 his or herself?</p>

<p style="text-align: right;">Page 44</p> <p>10:00 1 A. The property manager negotiates a lease or 2 if there is an extension -- I don't recall ever 3 having to negotiate, at Heritage, a specific 4 extension. When you're talking extension, are you 5 talking one month, two months, one year? What -- you 6 know, exactly what -- what is it? That has to be 7 taken into account.</p> <p>10:01 8 Let's say that it's -- there's regulatory 9 issues or rate issues. They're wanting a one-month 10 extension. You know, that's, to me, different than 11 someone that's wanting -- that's -- that's had the 12 lease for three years, let's say, and now they're 13 wanting a three-year extension. That would be 14 treated as a new lease negotiation as far as bonus 15 consideration goes, and the lease itself would have 16 to be looked at to determine if that's still the form 17 that we would want to live with. It might be that 18 we're willing to grant a whole new lease rather than 19 an extension of -- of the old lease.</p> <p>10:01 20 And I have been approached at Heritage for 21 an extension where we would not grant extensions. 22 We'd grant a new lease to you, but we're not going to 23 extend that lease because, you know, frankly, there 24 were bad provisions in that. That might have been a 25 lease that was negotiated by a predecessor to us or</p>	<p style="text-align: right;">Page 46</p> <p>1 that if you don't grant the extension, they're going 2 to drill it now; but if you grant the extension, 3 they're still going to drill it, but you're going to 4 get more bonus consideration for your client, so it's 5 to their benefit to negotiate that extension, 6 whatever the bonus might be, okay.</p> <p>10:03 7 But it -- it might be they're saying, "Well, 8 if we can't get the extension, we're going to go 9 ahead and drill it." Well, you're weighing, Well, is 10 it best for them to grant the extension or to force 11 the drilling right now and not get the additional 12 bonus. So that's a -- that's a part of the 13 consideration.</p> <p>10:03 14 Q. Yeah, yeah. So, if you -- Yeah. If you 15 could get extra bonus money, maybe you're willing to 16 wait three months --</p> <p>10:04 17 A. Uh-huh.</p> <p>10:04 18 Q. -- for a well, right?</p> <p>10:04 19 A. Right.</p> <p>10:04 20 Q. Okay. And if you -- if you were to -- Well, 21 I -- I think I've already gone over that. I was 22 going to ask about a review process, but I think 23 you -- you -- you told me you haven't had to do one 24 yet, so you're not sure, exactly, at Heritage how the 25 review process would work on an extension, let's say,</p>
<p style="text-align: right;">Page 45</p> <p>10:02 1 wasn't a Heritage lease but a new account, and they 2 wanted to extend it, and we said, "We'll -- we'll 3 grant you a new lease. We won't extend that lease."</p> <p>10:02 4 Q. And so, you have to look at the 5 opportunities to improve the lease for the client's 6 benefit?</p> <p>10:02 7 A. Uh-huh.</p> <p>10:02 8 Q. Is that right?</p> <p>10:02 9 A. Uh-huh.</p> <p>10:02 10 Q. And you would also want to look at what 11 current bonus rates were in the market to see if you 12 could improve on what had been done before?</p> <p>10:02 13 A. I think we'd look at bonus consideration to 14 see if what they were asking for is in line with -- 15 you know, if it was an open acreage situation, how 16 would we handle it.</p> <p>10:02 17 Q. And if --</p> <p>10:02 18 A. Can I add something to it?</p> <p>10:02 19 Q. Sure, sure.</p> <p>10:02 20 A. You know, sometimes the extension, you have 21 an option of -- They're -- they're asking for an 22 extension but it -- Let's say, for example, they're 23 wanting to drill a well, and they have the option of 24 drilling that well now or drilling it three months or 25 six months down the road. And -- and it might be</p>	<p style="text-align: right;">Page 47</p> <p>1 a primary term?</p> <p>10:04 2 A. We -- we negotiate leases, and it's -- 3 it's -- an extension is basically handled the same 4 way. What -- You look at the -- the factors 5 surrounding it. And like I said, I -- I was 6 approached for an extension and said, "No, we're not 7 going to grant an extension." I've been approached 8 for renewals where the lease expired and they wanted 9 to renew the old lease through ratification and 10 extension language, and I didn't like the old lease 11 form, so I said, "We'll -- we'll grant a new lease, 12 but I'm not going to use that form."</p> <p>10:05 13 We have a two-party sign-off at Heritage 14 just like at JPMorgan, and as far as I know, every 15 trust management company probably has that. So it 16 would be the -- the same thing. There's discussion. 17 We're a much smaller organization at Heritage, where 18 we regularly sit around a table and talk about what's 19 going on and talk about the deals we're working on, 20 and -- and in certain instances, we will bounce them 21 off each other.</p> <p>10:05 22 The -- whatever's going on, we use our 23 internal information systems to see if somebody else 24 is already working with this company and they've 25 already negotiated a deal and negotiated a lease</p>

<p style="text-align: right;">Page 48</p> <p>1 form. If that's the case and it's been approved, 2 then there's no sense in going through that again and 3 we've already got an approved form. So these things 4 are all hashed out.</p> <p>10:06 5 Q. When you were at JPMorgan, did they have 6 similar group discussions about leases and potential 7 amendments in the way that you just described as with 8 Heritage?</p> <p>10:06 9 A. I think -- I think the local offices would 10 use the information. There was a spreadsheet that 11 was maintained at one time of all the leasing 12 opportunities that you could refer to. Later on, 13 that information was populated in the software system 14 so you could run a report to see what had already 15 been done, if anything, in an area, and you would 16 first go to that. And it was not unusual for 17 property managers to -- to discuss amongst 18 themselves. And I can't tell you specifically a 19 situation, but I -- I think there was oftentimes 20 discussion on -- on deals that were being made, 21 especially if someone had already worked with the 22 company or it was in the process.</p> <p>10:07 23 One of the things that we tried to do is if 24 your account had gotten a lease offer from a company 25 and I had an account that the same company was</p>	<p style="text-align: right;">Page 50</p> <p>10:08 1 Q. So there wouldn't be a great amount of 2 detail that any particular mineral manager would be 3 able to go into. Is that -- is that a fair 4 statement?</p> <p>10:08 5 A. Well, I think it was up to them. If you 6 were negotiating on a half-acre lease, you weren't 7 going to spend a lot of time going into detail. If 8 you were negotiating on a -- on something else, you 9 might go into more detail.</p> <p>10:09 10 And you mentioned 20. There -- there would 11 be the whole department, which was upwards of, 12 between property managers and assistants, 40, and -- 13 and then some additional operations people involved. 14 So there might have been as many as 45 or 50 people 15 on the call. So it was a high-level call and -- and 16 not a tremendous amount of detail.</p> <p>10:09 17 Q. Do -- do you recall whether there was 18 anybody who took any minutes of these calls?</p> <p>10:09 19 A. Not -- not specifically. I -- I would jot a 20 note down if something was of something to me, I 21 would take the -- But there were not specific minutes 22 that were then written down and sent back out, no.</p> <p>10:09 23 Q. Was there anything ever circulated after the 24 calls to sort of memorialize the general issues that 25 had been discussed?</p>
<p style="text-align: right;">Page 49</p> <p>1 offering in the same area, that we would combine that 2 into a single negotiation, although there would be 3 two separate issues, but it didn't make sense to have 4 two people negotiating essentially with one company 5 on the same area. So that would be discussed and 6 determined who would handle that.</p> <p>10:07 7 So, at -- at the national level, there were 8 periodic calls where whatever projects someone was 9 working on, they would mention those in the call, and 10 that was usually by -- by area and -- and account, 11 and sometimes they would mention, you know, the 12 companies that were interested. So, that sort of 13 thing.</p> <p>10:08 14 Q. Okay. And those national calls, who -- 15 who -- who was typically on those calls?</p> <p>10:08 16 A. Everybody in the -- in the group.</p> <p>10:08 17 Q. And how often did those calls occur?</p> <p>10:08 18 A. I -- I don't recall. Every -- maybe 19 monthly, but I don't recall.</p> <p>10:08 20 Q. Do you recall how long they would last?</p> <p>10:08 21 A. Maybe -- maybe an hour.</p> <p>10:08 22 Q. And so there would be, give or take, 21 23 total mineral management folks on the call. Is that 24 right?</p> <p>10:08 25 A. Uh-huh, yes.</p>	<p style="text-align: right;">Page 51</p> <p>10:10 1 A. Not -- no, not that I recall. An exception 2 to that might be if there was something that -- for 3 example, that -- that I couldn't give you a 4 particular thing, but let's say Kevin had -- had 5 shared that he wanted everyone to know about, there 6 might be a follow-up on that particular item that 7 actually came from him or came to me to disseminate 8 to everybody. So there might have been some of that.</p> <p>10:10 9 Q. Let -- let me just give you an example, is 10 let's say somebody was getting ready to lease a 11 10,000-acre parcel. What are the kind of details 12 that would typically be discussed and -- in 13 connection with that type of a transaction on one of 14 these calls?</p> <p>10:10 15 A. You know, I don't -- I don't recall from 16 the -- up till my leaving that there was any, really, 17 specific discussion of that type of a deal, so I -- I 18 can't say that I -- I recall that.</p> <p>10:11 19 Q. And when you say "that type of a deal," do 20 you mean that's a little big?</p> <p>10:11 21 A. A 10,000-acre deal, yeah.</p> <p>10:11 22 Q. That's a big deal?</p> <p>10:11 23 A. Uh-huh.</p> <p>10:11 24 Q. What about if somebody was getting ready to 25 lease a 2500-acre parcel? Would -- would you recall</p>

<p style="text-align: right;">Page 52</p> <p>1 maybe what type of discussion would be had?</p> <p>10:11 2 A. I -- Honestly, I -- I think that they --</p> <p>3 they would mention that -- the client, the deal, the</p> <p>4 area, and the terms they were negotiating.</p> <p>10:11 5 Q. The client, you said?</p> <p>10:11 6 A. Uh-huh.</p> <p>10:11 7 Q. And then you said the deal?</p> <p>10:11 8 A. The general terms of the -- of the trade.</p> <p>10:11 9 Q. And -- and what do you mean by general</p> <p>10 terms?</p> <p>10:11 11 A. Bonus, royalty.</p> <p>10:12 12 Q. Anything else?</p> <p>10:12 13 A. Location, generally by county and -- and</p> <p>14 state.</p> <p>10:12 15 Q. Anything else?</p> <p>10:12 16 A. No.</p> <p>10:12 17 Q. Is that a no?</p> <p>10:12 18 A. That would be a no, yeah.</p> <p>10:12 19 Q. And so you said that during your tenure at</p> <p>20 JPMorgan, you never had occasion to discuss a lease</p> <p>21 as large as 10,000 acres on any one of these calls?</p> <p>10:12 22 A. Not that I recall.</p> <p>10:12 23 Q. How come there aren't a lot of 10,000-acre</p> <p>24 leases out there?</p> <p>10:12 25 A. Well, there's not that many people own that</p>	<p style="text-align: right;">Page 54</p> <p>1 were held with very few wells.</p> <p>10:14 2 Then we got away from that, and we had Pugh</p> <p>3 clauses, depth clauses, continuous drilling</p> <p>4 obligations. So, then, once -- once all that</p> <p>5 stopped, any lands that were no longer held by</p> <p>6 production were released and opened to be leased</p> <p>7 again.</p> <p>10:14 8 Q. So, generally, your goal as a mineral</p> <p>9 manager would be to prevent large tracts of acreage</p> <p>10 from being held with very few wells being drilled on</p> <p>11 the land?</p> <p>10:15 12 A. I would think so, yes.</p> <p>10:15 13 Q. What is the process at Heritage if Heritage</p> <p>14 believes that a lessee has failed to develop a -- a</p> <p>15 parcel of land as required by the lease, failed to</p> <p>16 drill or otherwise develop?</p> <p>10:15 17 A. Contact the operator and discuss that with</p> <p>18 them.</p> <p>10:15 19 Q. And how quickly does that happen?</p> <p>10:15 20 A. Well, it's as soon as you learn, which isn't</p> <p>21 always that easy to find out that -- that drilling</p> <p>22 stopped. But once you learn it and you read the</p> <p>23 agreement and decide that the terms and provisions</p> <p>24 are no longer being met, then you contact them as</p> <p>25 soon thereafter.</p>
<p style="text-align: right;">Page 53</p> <p>1 size of a -- of a tract of land.</p> <p>10:12 2 Q. Well, of the folks that do, do they</p> <p>3 typically -- when they want to lease out 10,000</p> <p>4 acres, do they typically do it in one lease, or do</p> <p>5 they divide it up into smaller leases?</p> <p>10:13 6 A. You know, I think that -- that depends on</p> <p>7 the circumstances at the time of the negotiation,</p> <p>8 where it's located, what's going on in the area, that</p> <p>9 sort of thing. So I don't know that you can say you</p> <p>10 typically do it one way or the other.</p> <p>10:13 11 Q. What are the advantages to dividing it up</p> <p>12 into smaller plots?</p> <p>10:13 13 A. I -- I would say that it breaks it up to</p> <p>14 where there's separate drilling obligations, that</p> <p>15 there's separate explorations; that they might drill</p> <p>16 on -- on one. And if it's all one block, unless</p> <p>17 there's language in the agreement that addresses</p> <p>18 this, they would -- and depending on the deal. You</p> <p>19 know, it might be that their continuous drilling</p> <p>20 holds the entire block until they stop, so by</p> <p>21 breaking it up, you would have different drilling</p> <p>22 obligations. So they would be running concurrently,</p> <p>23 and whenever that stopped, I'm assuming there would</p> <p>24 be Pugh clauses and depth clauses included, which</p> <p>25 many years ago were not, and -- and so large tracts</p>	<p style="text-align: right;">Page 55</p> <p>10:16 1 Depending on the circumstance, you might</p> <p>2 contact them with a release request or you might</p> <p>3 contact them and ask them what's going on with the</p> <p>4 lease. You know, have they shut in the wells, for</p> <p>5 example. And so you just determine the facts and</p> <p>6 then contact them after that to better understand</p> <p>7 what's going on, on their side of it, their</p> <p>8 perspective, and then go from there based on what</p> <p>9 they say and do.</p> <p>10:16 10 Q. And what happens if -- after you contact the</p> <p>11 lessee, if Heritage believes that the lessee is in</p> <p>12 breach and the lessee disagrees and refuses to</p> <p>13 develop as Heritage believes it should?</p> <p>10:16 14 A. Uh-huh. Well, you know, first of all, if</p> <p>15 you're heading towards possible litigation, you --</p> <p>16 you meet as a department and -- and discuss it,</p> <p>17 depending on the account.</p> <p>10:17 18 If it's an agency, you review that with the</p> <p>19 client as to where you stand, what the facts are,</p> <p>20 what you believe your position to be. If it's an</p> <p>21 agent -- agency situation, you get their consent</p> <p>22 to -- to involve an attorney, and the level of that</p> <p>23 involvement, it might just be getting an opinion.</p> <p>24 You certainly don't file a lawsuit without everybody</p> <p>25 being on board. Those -- those are all steps as a --</p>

<p style="text-align: right;">Page 56</p> <p>1 as an agent.</p> <p>10:17 2 As a trustee, you probably go through the</p> <p>3 same steps, but internally, if there's a co-trustee</p> <p>4 involved, you're keeping them in the loop on -- on</p> <p>5 what you're doing and why. You're keeping the trust</p> <p>6 officer, the relationship manager, involved, and --</p> <p>7 and as far as what's going on and why you're doing</p> <p>8 what you're doing.</p> <p>10:18 9 So you try to go through it in a methodical</p> <p>10 way, rather than just rushing to file a lawsuit. It</p> <p>11 might be that, depending on the circumstances, that</p> <p>12 you get an attorney to write a letter for you, for</p> <p>13 example, place whatever demands that you're -- that</p> <p>14 you're placing and -- and wait for that response.</p> <p>15 Then over time, you eventually reach a point where</p> <p>16 you decide what you're going to do next, whether to</p> <p>17 leave it be or file a lawsuit.</p> <p>10:18 18 Q. And how long would that process take from</p> <p>19 start to finish, where you realize that you have a</p> <p>20 disagreement with the lessee and the lessee isn't</p> <p>21 going to change its position and you're not going to</p> <p>22 change your position?</p> <p>10:19 23 A. Well, that -- that can depend on the facts,</p> <p>24 the circumstances, you know, what -- how many dollars</p> <p>25 are involved, the size. So, I -- I can't say that --</p>	<p style="text-align: right;">Page 58</p> <p>1 disagreement with a lessee?</p> <p>10:20 2 A. Maybe -- I'm trying to think back when I've</p> <p>3 ever had a situation -- had -- had a situation on one</p> <p>4 of my accounts, that we felt that the operator was</p> <p>5 using gas and not paying royalty on it and that it</p> <p>6 was contrary to the terms of the lease. I'm -- I'm</p> <p>7 going to say maybe a year to -- to a year and a half</p> <p>8 from start to finish, that we brought this up and --</p> <p>9 and back and forth letters and demands and finally</p> <p>10 hired a -- an attorney to -- to file suit, and -- and</p> <p>11 then there was settlement. So, maybe a year, year</p> <p>12 and a half. I'm -- I'm not positive on that.</p> <p>10:21 13 Q. And -- and the result was a settlement, you</p> <p>14 said?</p> <p>10:21 15 A. Uh-huh. Yes.</p> <p>10:21 16 Q. And so that was all concluded within the</p> <p>17 year to year-and-a-half time frame?</p> <p>10:21 18 A. Yes.</p> <p>10:21 19 Q. Okay. Now, in that type of situation, is it</p> <p>20 important to -- you know, as a trustee and a mineral</p> <p>21 manager, to -- to -- to move relatively quickly?</p> <p>10:21 22 MR. WILLIAMS: Objection, form.</p> <p>10:21 23 A. I -- I think you -- like I've said, you move</p> <p>24 on it as you learn the facts and contact the company</p> <p>25 and do what you can do.</p>
<p style="text-align: right;">Page 57</p> <p>1 that it would take one week or one year, because I've</p> <p>2 had both.</p> <p>10:19 3 Q. Have you ever had anything take longer than</p> <p>4 a year?</p> <p>10:19 5 A. Uh-huh, yes.</p> <p>10:19 6 Q. And why was that?</p> <p>10:19 7 A. Well, just -- just the time it takes for</p> <p>8 everything to -- to develop. You send a letter to</p> <p>9 the company, and it might be two or three weeks or a</p> <p>10 month before you get a response. You -- I've got a</p> <p>11 situation where I've tried to involve several</p> <p>12 different law firms, and it takes time for them to</p> <p>13 look at it. And, you know, you're just going through</p> <p>14 the steps and, you know, we're -- while -- while</p> <p>15 we're trying to protect the interests of our clients,</p> <p>16 I'm not necessarily trying to rush into a lawsuit,</p> <p>17 and being patient and maybe things will -- will work</p> <p>18 themselves out, depending on the facts, and so you</p> <p>19 try to allow for some of that. So it just -- and --</p> <p>20 and -- it just takes time.</p> <p>10:20 21 Q. It's a little fact-dependent?</p> <p>10:20 22 A. Yeah. I mean, I don't know how long --</p> <p>23 Yeah, definitely.</p> <p>10:20 24 Q. Okay. What's the longest it's ever taken</p> <p>25 you from start to finish when you had this type of a</p>	<p style="text-align: right;">Page 59</p> <p>10:22 1 Q. But you wouldn't -- you wouldn't just let</p> <p>2 things sit without continuing to push the ball</p> <p>3 forward, right?</p> <p>10:22 4 A. Well, when you -- What do you mean by let</p> <p>5 things sit? How long is letting things sit?</p> <p>10:22 6 Q. Years.</p> <p>10:22 7 A. Probably not.</p> <p>10:22 8 MS. ROBERTS: Would now be a good time?</p> <p>10:22 9 MR. CHRISTIAN: Yes.</p> <p>10:22 10 MS. ROBERTS: Going off the record, 10:22.</p> <p>11 This is the end of Tape 1.</p> <p>10:22 12 (Whereupon, a short recess was held.)</p> <p>10:23 13 MS. ROBERTS: Back on the record, 10:24.</p> <p>14 This is the beginning of Tape 2.</p> <p>10:24 15 BY MR. CHRISTIAN:</p> <p>10:24 16 Q. Mr. Herford, during your tenure at JPMorgan,</p> <p>17 do you happen to recall whether you had any</p> <p>18 discussions with anybody at JPMorgan regarding</p> <p>19 obtaining a lease of certain acreage held by Pioneer?</p> <p>10:24 20 A. What area?</p> <p>10:25 21 Q. What area of the STS branch?</p> <p>10:25 22 A. Well, I -- I guess to answer to that is, I</p> <p>23 don't recall.</p> <p>10:25 24 Q. Do you recall whether JPMorgan had a</p> <p>25 standard form oil and gas lease in 2008?</p>

Page 60			Page 62		
10:25	1	A. I believe so, yes.	10:28	1	A. Not that I recall.
10:25	2	Q. Do you happen to recall what the percentage	10:28	2	Q. Was there any reason why you -- why you
	3	of royalty was in that standard lease form?		3	didn't?
10:25	4	A. A royalty is a -- a negotiated part of an	10:28	4	A. I don't think we subscribed to it.
	5	agreement, that the standard lease form had -- has a	10:28	5	Q. Do you know how much the subscription was?
	6	place where you add that, insert it. So, depending	10:28	6	A. No.
	7	on the area that's being negotiated, it can range	10:28	7	Q. Was it expensive, do you recall?
	8	anywhere from three-sixteenths to a fifth, all the	10:28	8	A. I don't -- don't know.
	9	way up to a quarter, or even higher, depending on the	10:28	9	Q. Did you engage in any sort -- or I should
	10	area. But it's not like a standard part of the -- of		10	even -- I should go back to 2008. Back in 2008, did
	11	the lease form.		11	you and the other mineral folks at JPMorgan engage in
10:26	12	Q. Do you happen to recall what the typical		12	any kind of ongoing education to acquaint themselves
	13	royalty rate was in South Texas in 2008?		13	with what was happening in the oil and gas industry?
10:26	14	A. No.	10:29	14	A. I think that that -- that was usually done
10:26	15	Q. If I represented that in the six Petrohawk		15	in the group calls, where the local area managers
	16	leases that the royalty was 25 percent, would you		16	would talk about what was going on in their
	17	have an opinion as to whether that was either good or		17	respective areas. And beyond that, I -- I don't
	18	bad in South Texas in 2008?		18	recall how that was handled on a national scope.
10:26	19	A. I -- I would say that any time you get a	10:29	19	Q. And what do you do today at Heritage Trust
	20	quarter royalty, that is good.		20	to keep yourself acquainted with what's happening in
10:26	21	Q. Do you think that that was above market, at		21	the oil and gas community?
	22	market, or below market?	10:29	22	A. There's a -- there's online information
10:26	23	A. I don't have a feel for that.		23	that's readily available. I get a -- a regular email
10:26	24	Q. Do you remember, while you were at JPMorgan,		24	that's from Rigzone that's talks about what's going
	25	what properties were typically getting in terms of		25	on, and there's still Landman Magazine, and there's
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	1	royalty percentage in South Texas during that time		1	a -- a shorter version of that, that talks about
	2	period?		2	what's going on in different areas. So I read those,
10:27	3	A. No. I -- I don't recall a whole lot of		3	and then in our group, any time someone reads
	4	leasing in South Texas at that time.		4	something, they will forward it to the others in the
10:27	5	Q. Would you consider it, as part of your job,		5	group as a FYI.
	6	to be familiar with what's going on in the oil and	10:30	6	Q. And was that done at JPMorgan as well,
	7	gas community?		7	forwarding of articles and such?
10:27	8	A. Somewhat.	10:30	8	A. I -- I don't recall. I -- I don't think
10:27	9	Q. Do you typically read the trade papers and		9	that the -- the sharing, the online access, that sort
	10	see what types of different developments are		10	of thing, was -- was what it is now, so it was not as
	11	happening and do things like that?		11	easy.
10:27	12	A. At that time, which was quite a bit	10:30	12	Q. Do you currently subscribe to Oil and Gas
	13	different than now as far as what's available, the --		13	Investor magazine?
	14	the main journals, if you will, would be the Landman	10:30	14	A. No.
	15	Magazine, and it was -- it would discuss in a -- in a	10:30	15	Q. Can you tell me when you first became aware
	16	general way what was going on in different areas, so		16	of the trends in these new horizontal shale plays?
	17	try to keep up with that.	10:30	17	A. The first trend that -- that I was aware
10:28	18	Q. Did you have any other sources for		18	would have probably been the Barnett Shale that was
	19	understanding what was happening in the oil and gas		19	happening in two thousand and -- the early 2000s is
	20	community?		20	about when I first became familiar with it or aware
10:28	21	A. Just local newspapers.		21	of it.
10:28	22	Q. Local newspapers?	10:31	22	Q. And what other shale plays were you aware of
10:28	23	A. Uh-huh.		23	after Barnett?
10:28	24	Q. Did you ever read Oil and Gas Investor	10:31	24	A. Probably the next one would have been the --
	25	magazine?		25	Fayetteville and then the Haynesville.

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10:31	1 Q. Did -- do you recall whether you heard about	10:34	1 A. Uh-huh.
	2 the Haynesville Shale play in about March of 2008?	10:34	2 Q. -- during that time?
10:31	3 A. I -- I don't know -- I don't recall when I	10:34	3 A. I think so.
	4 heard about it.	10:34	4 Q. Okay. And I think, as you said earlier,
10:31	5 Q. Did you ever know that JPMorgan had done	5	typically everyone from JPMorgan's mineral management
	6 research on the Haynesville Shale play and published	6	group would have been on those calls?
	7 public reports?	10:34	7 A. Uh-huh.
10:31	8 A. No.	10:34	8 Q. And so they would have all heard basically
10:31	9 Q. Did you, when you were at JPMorgan, use	9	what was going on out in -- in Haynesville at that
	10 JPMorgan public reports to keep apprised of oil and	10	time?
	11 gas issues?	10:34	11 A. Yeah, uh-huh.
10:32	12 A. No.	10:34	12 Q. And if -- if I told you that in -- in March
10:32	13 Q. To your knowledge, did anyone at JPMorgan do	13	of 2008 that bonus figures in Haynesville were around
	14 that?	14	\$10,000, that wouldn't sound unreasonable to you,
10:32	15 MR. WILLIAMS: Objection, form.	15	would it?
10:32	16 A. No. They might have; not to my knowledge,	10:34	16 A. I -- I knew it was large.
	17 no.	10:34	17 Q. And if I told you that JPMorgan had
10:32	18 Q. Can you tell me why you didn't look at that	18	published a public report that had per-acre bonus
	19 information?	19	payments in Haynesville at around 27,000 per acre by
10:32	20 A. I'm not sure I was aware of it.	20	July of 2008, would that surprise you?
10:32	21 Q. Do you remember hearing what the per-acre	10:35	21 A. Possibly, yeah.
	22 bonuses were in Haynesville around March of '08?	10:35	22 Q. That might surprise you?
10:32	23 A. No.	10:35	23 A. I'll tell you the truth, anything 27,000 an
10:32	24 Q. Do you remember ever hearing any per-acre	24	acre surprises me. But that's -- that's possible.
	25 bonus information relating to Haynesville?	25	There was a -- a large lease negotiated in the
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10:32	1 A. Yes. I don't know when it was, though.		1 Haynesville.
	2 That was the -- March of '08, I don't know when I	10:35	2 Q. But 10,000 an acre is a little less
	3 heard. There was a lease negotiated in the	3	surprising. Is that fair?
	4 Haynesville by our Shreveport office involving one of	10:35	4 A. I think anything over -- Depends on the
	5 our clients, and I don't know the timing of that, but	5	circumstances. It just depends on the area. And,
	6 it was a fairly large lease negotiated with	6	you know, we start talking a thousand an acre in
	7 Chesapeake.	7	areas would surprise me, so it just depends. But,
10:33	8 Q. And do you recall what the per-acre bonus	8	yeah, 10,000 an acre is a large amount.
	9 was on that lease?	10:35	9 Q. Do you ever recall seeing an article in July
10:33	10 A. You know, I -- I'm going to say right now,	10	of 2008 discussing the potential for \$50,000 an acre
	11 this -- this is going into client information that	11	in the Haynesville?
	12 I'm not sure I should share that. That it was very	10:36	12 A. No.
	13 large. I'll put it that way.	10:36	13 Q. Would it be fair to say that in 2008, having
10:33	14 Q. You know, we do have a protective order in	14	some experience with watching prior shale plays, that
	15 the case, and so we can designate this as --	15	you knew the bonus prices could escalate
10:33	16 A. Yeah.	16	significantly in a shale play?
10:33	17 Q. -- confidential.	10:36	17 A. When, again?
10:33	18 A. Yeah. I'm not comfortable sharing that, so	10:36	18 Q. In 2008, in early 2008.
	19 I think you can get that figure from -- from	10:36	19 A. The -- the experience I had with -- with
	20 JPMorgan.	20	shale plays was primarily the Barnett Shale, and
10:33	21 Q. Fair enough.	21	those -- those prices were -- were actually fairly
10:33	22 A. Okay.	22	low to start with and -- and slowly, gradually
10:33	23 Q. Do -- do you recall whether the -- the	23	increased, and that was oftentimes tied to the actual
	24 Shreveport office was on one of these monthly calls	24	drilling that was going on and success of that
	25 and discussed the terms of the lease --	25	drilling. The prices didn't escalate just off of

<p style="text-align: right;">Page 68</p> <p>1 competition itself for leases; it was more about the 2 success of the wells, and that drove the prices. So 3 my -- my feeling is whether it's Barnett or any shale 4 play, that's -- that's how it's going to go. 10:37 5 Q. And how long did it take for the Barnett 6 Shale play to mature to the point where lease prices 7 had increased fairly dramatically? 10:37 8 A. I'm going to say eight, ten years. 10:37 9 Q. And how long did it take in Haynesville for 10 lease prices to escalate fairly dramatically? 10:37 11 A. I -- I don't know. 10:37 12 Q. You didn't keep apprised of that one? 10:37 13 A. You asked how long. I don't know how long. 14 I -- I really don't. 10:37 15 Q. Do you recall when you first heard about the 16 Haynesville Shale play? 10:37 17 A. No. 10:37 18 Q. Do you have a ballpark? 10:37 19 A. I would say in the 2006-7 time frame, -5, 20 somewhere in there. 10:38 21 Q. Well, by 2008, you -- you would have 22 recognized that bonus prices could escalate 23 significantly in a successful shale play, correct? 10:38 24 A. Yes. I was also aware that they could also 25 collapse overnight, which we had seen in the Barnett</p>	<p style="text-align: right;">Page 70</p> <p>1 wells and the prices of oil and gas. That figures 2 into it. You know, companies will have budgets that 3 based on, you know, high oil and gas prices, and when 4 those prices collapse from, you know, oil being in 5 the 80 to \$150 range to 50 or 60, budgets go away. 6 Same with gas. Gas in the 8, \$10 or more range and 7 they go down to a dollar-fifty or two dollars. 8 Companies pull out of drilling in those areas, and so 9 that all drives the budgets to buy leases, and so it 10 can happen overnight. 10:41 11 Q. And -- and so, is it often the case that you 12 have something of a bell curve in a shale play? 10:41 13 MR. WILLIAMS: Objection, form. 10:41 14 A. I don't know what -- what -- What do you 15 mean by a bell curve? 10:41 16 Q. Well, where -- 10:41 17 A. I know what a bell curve is. What do you 18 mean, though? 10:41 19 Q. Is it often the case that in a shale play, 20 that prices start out relatively low, go up, you 21 know, over a period of time, peak at some point, and 22 then at some point start to tail off or drop? 10:41 23 A. I -- I think it's all a function of -- of 24 technology, of gas prices, oil prices, and all -- all 25 of those as companies look for new places to find</p>
<p style="text-align: right;">Page 69</p> <p>1 Shale. 10:38 2 Q. And when you say collapse, then what kind of 3 per-acre bonus would they go down to in a collapse? 4 Let's say if they were up in 10,000 in Haynesville, 5 what would happen in a collapse? 10:39 6 A. Ten percent of what it was before. 10:39 7 Q. Ten percent? 10:39 8 A. All -- all the way down to total withdrawal 9 of the offer, which is, you got a big offer in hand 10 and you have nothing the next day, that -- to that 11 magnitude. 10:39 12 Q. And -- and where did you see that happen? 10:39 13 A. In the Barnett. 10:39 14 Q. Now, what about in Haynesville? 10:39 15 A. I -- I don't recall that -- that we had that 16 much acreage in the -- in the Haynesville where it 17 was something I was seeing on a -- on a regular 18 basis. I -- I do think the Haynesville slowed 19 dramatically, as did the Fayetteville. There's 20 certain sweet spots, if you will, that are still 21 desired, but there's many places that went from being 22 desired to no longer of interest. So it -- it just 23 depends on the play and how it plays out and the 24 wells. 10:40 25 It's always driven by the success of the</p>	<p style="text-align: right;">Page 71</p> <p>1 major reserves, and then the competition for that. 2 But a lot of that, you know, the technology kicks in, 3 the horizontal drilling and the fracing continues to 4 evolve, and then the success of that then spurs 5 follow-up competition. At the same time, if -- if 6 it's not successful, people move on and there is no 7 more interest in it. 10:42 8 So, if you went back and tracked the 9 different shale plays, perhaps you would -- you would 10 see that. I -- I would suspect with -- for not just 11 shale plays but any oil and gas play, that as there's 12 success and big wells are drilled, then people flock 13 to those areas to try to buy leases and be -- be a 14 part of drilling more big wells. And the -- the 15 value of the leases is really a function of the 16 success of the wells that are drilled. 10:42 17 Q. Right. So, if you have a successful well, 18 that is at least a harbinger of the potential value 19 going up. Is that fair? 10:42 20 A. Possible. 10:42 21 Q. Well, speaking of successful wells, did -- 22 did you hear about the Eagle Ford discovery well when 23 it was announced in October of 2008? 10:43 24 A. I don't recall. 10:43 25 Q. You don't remember whether you heard about</p>

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	1 it or whether you heard about it in October?		1 and assigned out those accounts to each of the
10:43	2 A. Either. I don't recall hearing about the		2 property managers that took those, and I went over
	3 discovery well for the Eagle Ford.		3 them with them at that time.
10:43	4 Q. You -- you were in Hot Springs at the time,	10:46	4 Q. Okay. Do you remember when it was that you
	5 right?		5 assigned out your accounts to the property managers?
10:43	6 A. Yes.	10:46	6 A. I don't remember exactly. It was a few
10:43	7 Q. Is that maybe why you didn't hear or		7 months after getting to Arkansas.
	8 don't --	10:46	8 Q. Okay. Do you remember how many accounts you
10:43	9 A. Probably.		9 had that you had to assign out?
10:43	10 Q. -- recall hearing?	10:46	10 A. I'd say 60.
10:43	11 A. Uh-huh.	10:46	11 Q. Okay. And the STS was not one of those
10:43	12 Q. I guess, at that time, you weren't involved		12 accounts?
	13 in -- in mineral management. Is that -- is that	10:46	13 A. It was not.
	14 fair?	10:46	14 Q. Okay. During your tenure at JPMorgan, did
10:43	15 A. That's fair. I would -- would say probably		15 you ever discuss with anyone the fact that STS was a
	16 not.		16 liquidating trust?
10:43	17 Q. All right. Do you recall that when you left	10:47	17 A. I don't know that I discussed it. I think I
	18 your national mineral management position in 2007,		18 may have heard that.
	19 whether you did a review of the asset accounts with	10:47	19 Q. You -- You've got a substantial amount of
	20 your successor?		20 trust experience, correct?
10:44	21 A. Ask that again.	10:47	21 A. I'd say so.
10:44	22 Q. Well, do you recall that when you left the	10:47	22 Q. How many years of -- of trust experience do
	23 national mineral manager position at JPMorgan in		23 you have, sir?
	24 2007, whether you did some sort of an asset account	10:47	24 A. Well, trust oil and gas experience, 20.
	25 or review with the person who was taking your place	10:47	25 Q. Twenty years. Can you tell me what a
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	1 at JPMorgan?		1 liquidating trust is?
10:44	2 A. When I left in 2007, I still had the	10:47	2 A. You know, I don't know that I've ever had a
	3 accounts that I had been assigned, so there -- there		3 liquidating trust, so I don't -- I don't think I'm
	4 wasn't any review done with my successor on those		4 going to hazard a guess.
	5 accounts at that time.	10:47	5 Q. And you may not know the answer to this
10:45	6 Q. Okay. I thought -- And maybe I'm wrong		6 question; I just want to ask and see if you do. As
	7 about this. I apologize. I thought that when you		7 somebody with 20 years of trust experience, do you
	8 left in 2007, that you transitioned into a part-		8 believe that the STS asset status as a liquidating
	9 time -- a full -- well, a permanent part-time		9 trust should have had any impact on the decision to
	10 position where you did, I think, three or four		10 enter into the Petrohawk leases?
	11 special projects.	10:48	11 A. I don't know that I'm qualified, really, to
10:45	12 A. That -- that's correct. But at the same		12 answer that. Because I -- like I said, I'm -- have
	13 time, initially, the initial work still had those		13 never had a liquidating trust. I don't know the
	14 accounts assigned to me. So, after moving there, and		14 particulars of that or how that would affect that
	15 I was expecting that there -- there would be an		15 decision, so I -- I don't think I can answer that.
	16 interest in -- in me assigning those, but the	10:48	16 Q. So we -- maybe we'll just agree not to ask
	17 existing staff was already full, if you will. I		17 you about liquidating trusts, because that's not --
	18 wasn't sure what to do with that. I discussed that		18 although you've got trust expertise, that's not one
	19 with Kevin at one point saying, "Do you want me to		19 of your areas of expertise.
	20 handle the management reporting or do you want me to	10:48	20 A. That's right.
	21 handle these accounts? Which one? And the -- and	10:48	21 Q. Okay, fair enough. Did you ever hear anyone
	22 the special projects, because I can't do them all,		22 at JPMorgan, or anyone else, ever say that there was
	23 couldn't handle them all on the -- on my full-time		23 any kind of a different standard for evaluating and
	24 role, and I can't reduce my hours and handle all that		24 accepting lease offers as between liquidating and
	25 as well." So, it was at that time that I went ahead		25 non-liquidating trusts?

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10:49	1	A. No.	10:51	1	A. No.
10:49	2	Q. Now, Bert Hayes-Davis replaced you as	10:51	2	Q. And how many accounts do the other mineral
	3	national mineral manager at JPMorgan. Is that right?		3	managers at Heritage typically handle?
10:49	4	A. Yes.	10:51	4	A. About that same number.
10:49	5	Q. Did you know Bert Hayes-Davis before that?	10:51	5	Q. Forty to fifty?
10:49	6	A. No.	10:51	6	A. Uh-huh.
10:49	7	Q. Did you have any input on hiring Bert Hayes-	10:51	7	Q. Does Heritage have any policy for
	8	Davis?		8	determining how many accounts mineral managers should
10:49	9	A. No.		9	be responsible for?
10:49	10	Q. Do you have any knowledge regarding his	10:52	10	A. No.
	11	experience with mineral management?	10:52	11	Q. How -- how does that get decided, that you
10:49	12	A. I worked with Bert after he was hired, and		12	guys wind up with 40 or 50 accounts?
	13	my understanding was he was a geologist for Hunt Oil	10:52	13	A. It's just -- You know, I -- I -- I can't
	14	at one time, before working in another area, was not		14	answer that. I think it's just splitting them up.
	15	directly a mineral manager that -- that I'm aware.		15	We're -- at one time, Heritage had one property
	16	He may have been. I'm just not aware.		16	manager, then they were -- they were growing, so they
10:50	17	Q. At -- At Heritage Trust today, can you tell		17	added another and -- and then brought me in. The
	18	me how many mineral accounts you currently manage?		18	accounts were pretty much divided evenly between two
10:50	19	A. At Heritage Trust?		19	of us, with the head of the department kind of
10:50	20	Q. Yeah, as we sit here today.		20	overseeing the overall department. And so that --
10:50	21	A. Forty, fifty.		21	that's pretty much how it was done. It's just adding
10:50	22	Q. Do you know how many total mineral acres you		22	up. I have more experience with working interests
	23	manage?		23	than the other property managers, so those --
10:50	24	A. No.		24	although he -- he did get some accounts that have
10:50	25	Q. Can you guess?		25	working interests, most of those were -- were given
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10:50	1	A. Can't. But, you know, the -- the thing is,		1	to me, with my experience in -- on that side of it.
	2	is that a lot of the properties range anywhere from a	10:53	2	Q. Would you say that the 40 to 50 accounts
	3	half-acre, to one acre, to two acres, to larger		3	that you currently have is enough to keep you pretty
	4	acreages, so --		4	busy?
10:50	5	Q. And they're also --	10:53	5	A. Yes.
10:50	6	A. -- I don't know --	10:53	6	Q. You -- you wouldn't feel comfortable
10:50	7	Q. -- divided interests --		7	doubling that, would you?
10:50	8	A. I don't know what they add up to.	10:53	8	A. Probably not.
10:50	9	Q. Yeah. There are divided interests, which	10:53	9	Q. While you were at JPMorgan between 2005 and
	10	make the calculation sometimes hard, too. Is that		10	2007, how many accounts were you responsible for?
	11	fair?	10:53	11	A. I'm going to say I probably had around 60.
10:51	12	A. Well, it's just being able to -- to list		12	Because that was the time in Fort Worth. You know,
	13	them all out --		13	that'd be the -- the amount that I had.
10:51	14	Q. Yeah.	10:54	14	Q. Okay. And do you know how many accounts the
10:51	15	A. -- and track them and add them, so I -- I		15	mineral managers under your supervision typically
	16	don't know.		16	handled?
10:51	17	Q. I totally understand. Can you tell me what	10:54	17	A. It varied. And I -- I think the thing you
	18	the largest contiguous asset is that you manage in		18	need to understand or appreciate is that it's not the
	19	terms of acres?		19	number of accounts; it's the number of properties in
10:51	20	A. Three thousand.		20	an account. And the distinction there is, you could
10:51	21	Q. Do you have any other assets that are close		21	have an account with one property and another account
	22	to that size?		22	with 500 properties, and so the fact that you assign
10:51	23	A. I don't think so.		23	each an account doesn't mean that you're assigning
10:51	24	Q. You don't have any single assets that		24	equal work load. So the real -- real key there is
	25	produce over a million dollars a month, do you?		25	the -- the number of properties, as much as anything.

<p style="text-align: right;">Page 80</p> <p>10:54 1 Q. Okay. Well, let me back up then and sort of 2 reask that, now that -- now that I'm a little more 3 educated. As we sit here today, at Heritage Trust, 4 how many properties do you currently manage?</p> <p>10:55 5 A. I'm -- I'm going to guess two to three 6 thousand.</p> <p>10:55 7 Q. And how -- how many do your fellow mineral 8 managers at Heritage typically handle?</p> <p>10:55 9 A. It would be a similar amount.</p> <p>10:55 10 Q. And -- and again, you -- you don't know the 11 amount of mineral acres that you --</p> <p>10:56 12 A. No.</p> <p>10:56 13 Q. -- handle?</p> <p>10:56 14 So, when you were at JPMorgan, how many 15 properties were under your supervision?</p> <p>10:56 16 A. How many properties were in the oil and gas 17 group?</p> <p>10:56 18 Q. Well, I should say first, How many did -- 19 were you responsible for directly?</p> <p>10:56 20 A. I -- I don't recall.</p> <p>10:56 21 Q. Do you have a ballpark estimate? Do you 22 know if --</p> <p>10:56 23 A. I really don't.</p> <p>10:56 24 Q. -- it was more than 3,000?</p> <p>10:56 25 A. Probably not. Now, that -- that's -- I had</p>	<p style="text-align: right;">Page 82</p> <p>1 there are states that aren't very active, and so the 2 fact that you have a large number of assets in that 3 area doesn't necessarily equate to more work. Then 4 there are some areas that, you know, have, you know, 5 intense amount of work that -- that -- so it just 6 depends on where they're located. In general, that 7 would seem like a high number to me.</p> <p>10:58 8 Q. Now, how about if you got about another four 9 or five thousand properties in Texas to manage? 10 Would that be an awful lot of work?</p> <p>10:59 11 A. It would depend on where they're located, 12 but probably. It would also depend on whether 13 they're open or already leased, whether they're 14 already producing or not. You know, a lot of factors 15 add in to whether that equates to more work or not.</p> <p>10:59 16 Q. Do you recall whether, in your view in 2008, 17 that Ms. Ormond had a pretty heavy workload?</p> <p>10:59 18 A. I -- I think all of the property managers at 19 JPMorgan had a pretty heavy workload that they would 20 have.</p> <p>10:59 21 Q. Do you think that they could have used more 22 property managers?</p> <p>10:59 23 A. I believe so. Or more support for those 24 same property managers.</p> <p>11:00 25 Q. Can you -- can you tell me, when you were at</p>
<p style="text-align: right;">Page 81</p> <p>1 more than that when I was working in Oklahoma City, 2 but I don't recall the -- the number whenever I moved 3 to Fort Worth.</p> <p>10:56 4 Q. Do you recall the typical number of 5 properties that your mineral managers were 6 responsible for during your time at JPMorgan?</p> <p>10:57 7 A. It seems that there were roughly 20 property 8 managers and about 150,000 properties by -- by count 9 on the system, and there was a lot of discussion 10 and -- and debate on whether there was double 11 counting going on. But using -- using that, on 12 average, I would say between six to seven or eight 13 thousand.</p> <p>10:57 14 Q. And you're currently managing about how many 15 properties here at Heritage?</p> <p>10:57 16 A. I don't know. I -- I didn't -- didn't run 17 that report, so I -- I don't know what it is.</p> <p>10:58 18 Q. Fair enough. But you -- but you thought it 19 was around 3,000? Is that -- is that fair?</p> <p>10:58 20 A. I would say somewhere between two and three 21 thousand, probably.</p> <p>10:58 22 Q. Two or three thousand. Would you feel 23 comfortable if -- if that were six or eight thousand?</p> <p>10:58 24 A. It depends. It -- it depends on where 25 they're located, you know. There -- there are --</p>	<p style="text-align: right;">Page 83</p> <p>1 JPMorgan, were you paid in salary and bonus?</p> <p>11:00 2 A. Yes.</p> <p>11:00 3 Q. Was your bonus impacted by the income 4 generated in your department?</p> <p>11:00 5 A. I think it was impacted first by the bank's 6 performance. And so, if the bank had not done well, 7 then even if our department had, it -- it would 8 probably not equate to a -- I never recall not 9 getting a bonus, but it might have been a much lesser 10 one. Certainly the performance of the department 11 factored into it, how well we did, and not just the 12 financial performance but the overall performance, as 13 far as how we dealt with clients and customers on -- 14 on their issues, where we added value, that sort of 15 thing.</p> <p>11:01 16 Q. Would -- would it have been unusual in 2008 17 to have a single mineral manager bring in, in excess 18 of a million dollars in one year on one account?</p> <p>11:01 19 A. Would it have been unusual? I think there 20 were some accounts that generated that kind of income 21 on an annual basis, but not very many.</p> <p>11:01 22 Q. Would that have been helpful to bonus 23 consideration if somebody was able to do that?</p> <p>11:01 24 A. If you're talking about a -- a -- like a 25 lease bonus?</p>

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11:01	1	Q. Correct.		1	property manager investigates market conditions and
11:01	2	A. Probably. I -- I don't recall ever, in my		2	generally what's happening in the area. Is -- is
	3	time, a specific -- I don't think your specific deal,		3	that right?
	4	that that was the -- the driving factor on -- on	11:05	4	A. Try to find out as much as we can about
	5	what bonus was -- was -- was given.		5	what's going on.
11:02	6	Q. But it would have been considered as part of	11:05	6	Q. Okay. And then does that property manager
	7	the bonus --		7	then make a recommendation to either -- with -- with
11:02	8	A. I think so. But the thing is that there		8	specific lease terms in it that goes up for sign-off
	9	were property managers that worked in areas that		9	to these other two folks that we discussed?
	10	didn't have the opportunity because of the acreage	11:05	10	A. The property manager is one of those two --
	11	size for that kind of a deal but they still worked	11:05	11	Q. Okay.
	12	equally hard, and that was considered as well.	11:05	12	A. -- and then the head of the department is
11:02	13	Q. Right. At Heritage, can you explain how		13	the other.
	14	the -- We -- we talked about this a little bit	11:05	14	Q. And when you say the head of the department,
	15	earlier, but I just kind of want to go back to it.		15	what's the formal title of the head of the
	16	Can you explain how the mineral lease process has		16	department?
	17	worked at Heritage since you started working here two	11:05	17	A. I'm going to say senior vice president.
	18	years ago?	11:06	18	I don't know that -- He is the head of the
11:03	19	A. The lease is negotiated. The --		19	department. I don't know if that's how it's styled.
11:03	20	Q. And who negotiates the lease?		20	Heritage doesn't put a lot of weight in titles.
11:03	21	A. The property manager for that account. In	11:06	21	Q. Okay. Is there any kind of committee
	22	that negotiation, we try to identify if it's -- we		22	review, or is it just a sign-off between the property
	23	have a spreadsheet that we maintain of -- of all		23	manager and the head of the department?
	24	offers and -- and deals that have been made so we can	11:06	24	A. That's -- those two.
	25	look at that to see what's -- what's been offered,	11:06	25	Q. Okay. And does the size of the lease -- If
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	1	what's been settled.		1	it's a really big lease, does that require any
11:03	2	In Oklahoma, you can actually go to the		2	different type of a procedure?
	3	Corporation Commission records and -- and see what	11:06	3	A. No.
	4	has been paid in the way of force poolings, and	11:06	4	Q. Who -- who draws up Heritage's leases?
	5	depending on proximity to your acreage, that -- that	11:06	5	A. Well, there's a standard lease form that's
	6	factors in.		6	been -- was in place when I got there, and we
11:04	7	And all those things are considered, and		7	continually look to revise it as needed. But the
	8	that information is -- is -- is factored in to		8	actual lease form is -- is already an approved form,
	9	whenever you negotiate. And we have our own lease		9	that we add the name of the lessee and -- and other
	10	form, and the basic terms then, if they're within		10	information in it, royalty rate, description of the
	11	line with what's being done, then -- then we'll go		11	property, that sort of thing, the name of the account
	12	ahead and proceed. The lease is -- is signed, and		12	that the lessee -- I mean the lessor name, and we --
	13	there's a two-party approval process, with a lease		13	we do all that ourselves.
	14	approval form that's signed off on, and -- and then	11:07	14	Q. Do you have oil and gas lawyers look at
	15	it's sent to the lessee upon receipt of the -- of the		15	modifications to Heritage's standard lease form?
	16	bonus.	11:07	16	A. Not -- not like that. We -- we've had
11:04	17	Q. So the property manager does some		17	instances where we wanted to better understand the
	18	investigation and then negotiates with the lessee.		18	ramifications of changing or deleting a certain
	19	Is -- is that right? As the initial part of --		19	provision, so we've had conference calls with
11:04	20	A. Right.		20	attorneys about the impact of that and whether it's
11:04	21	Q. -- the process?		21	something we should do or not do, and so we're trying
11:05	22	A. And -- and the lessee may be a broker		22	to better understand, and -- and so that's usually a
	23	that -- that the lessee has hired to negotiate on		23	group thing, so we're all hearing the same thing and
	24	their behalf.		24	the attorney's opinion on that. But as far as
11:05	25	Q. Okay. And in the course of this, the		25	sending a specific provision to an attorney, no.

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11:08	1 Q. What types of things specifically do get	11:11	1 A. Yes. Now, there may -- there may be
	2 sent to the attorneys?		2 instances where he's not available, and so it's --
11:08	3 A. Well, we don't -- we don't send things to an		3 there's two of us. But again, we're a small
	4 attorney. It's -- The instances that I've been		4 department, our offices are right next to each other,
	5 involved were more ones that -- An example would be		5 and so that's -- that's normally the one -- he's the
	6 in the lease itself, there's provision for liens,		6 one to -- to go to with that.
	7 and -- and whether that was something that we should	11:12	7 Q. Okay.
	8 draw the line on if the company wanted to eliminate	11:12	8 A. But I'm not aware that it has to be that
	9 that, to delete it, what would be the impact, and so		9 way, that he's the only other one that can sign off,
	10 we had a conference call on that. We've had		10 because I think that there's been instances where I
	11 attorneys come in and just talk to us in general		11 have signed off, in addition to the other property
	12 about operating agreements.		12 managers, so that's not an absolute at Heritage.
11:08	13 But as far as a specific provision, I -- I	11:12	13 Q. But on a major lease -- Let's say you were
	14 would say there has been research and -- and such on		14 doing a 10,000-acre lease. You would want to have
	15 post-production expenses, and -- so we -- we -- we		15 your head of your department sign off. Is that fair?
	16 draw the line on that. So I don't know if that	11:12	16 A. Probably, yes.
	17 answers your question, but that's -- that's it.	11:12	17 Q. And if you were doing a lease, let's say
11:09	18 Q. I'm going to go ahead and hand you what has		18 10,000 acres, there would be no committee review at
	19 previously been marked as Exhibit 611. Take a quick		19 Heritage?
	20 look at that, if you will.	11:12	20 A. Our department is small enough that there
11:09	21 A. (Witness complies.) Okay.		21 would be a lot of review and discussion on -- on a
11:09	22 Q. You're familiar with JPMorgan's oil gas and		22 lease like that. We -- we have no assets that size.
	23 mineral policy manual, correct?		23 And the -- the one asset that we have that -- that
11:09	24 A. Yes.		24 I'm aware of -- if there's others, I'm not aware --
11:09	25 Q. And this was the lease review policy in		25 there's 3,000 acres, there's been a lot of discussion
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	1 place when you -- when you were national mineral		1 of probably that.
	2 manager between 2005 and 2007 at JPMorgan. Is that	11:13	2 Q. Can you tell me what the process was for the
	3 right?		3 3,000-acre asset to get approval?
11:10	4 A. I'm going to say yes.	11:13	4 A. The discussion's been more about -- It's
11:10	5 Q. I think it even says it was revised on		5 already leased. It's been more about other areas of
11:10	6 June 30 of '07 --		6 that, whether there's parts of it that have been
11:10	7 A. Right.		7 assigned and conveyed and the interpretation of the
11:10	8 Q. -- so that would have been, like, when this		8 agreements affecting that and, you know, kind of get
	9 policy, at least we know for sure, was -- was in		9 input from -- from everybody on that. We have two
	10 effect. Can you explain to me how this sign-off		10 young attorneys working there that passed the -- the
	11 policy worked?		11 board, so, you know, their input's appreciated. But
11:10	12 A. The lease would be negotiated. There would		12 we all read it because there's a lot involved, and we
	13 be a lease acceptance form, with information about		13 would want to try to have some consensus on it.
	14 the account and the asset and the trade put on that,	11:13	14 So, it's not -- it's not unleased, it's not open, but
	15 and that would be taken to a second mineral manager		15 it's involving whether we think it -- it -- part of
	16 or senior mineral manager, depending on the		16 it is or not. So -- I -- I don't know, that's --
	17 circumstance, and that second approval obtained.		17 that's how --
11:10	18 Q. So, if a lease were to be negotiated by	11:14	18 It's not a situation where we're negotiating
	19 Ms. Ormond, would she then need one other senior		19 a lease; but if we were, I would probably still have
	20 mineral manager to sign off on that lease?		20 discussion. We have regular meetings where we talk
11:11	21 A. No. She was -- was a senior mineral		21 about what we're doing, similar to the national call,
	22 manager, so she'd need another mineral manager.		22 and talk about what's going on in -- in different
11:11	23 Q. And at Heritage, what happens is a mineral		23 areas, ranging from Oklahoma to Texas, to
	24 manager takes a lease to the head of the department		24 Pennsylvania, to other -- other states, so --
	25 and gets sign-off there. Is that right?	11:14	25 Q. So --

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11:14	1 A. -- that's how that goes.	1	be something potentially of value on the land. Is
11:14	2 Q. Okay, great. So, I guess with a large	2	that fair to say?
	3 3,000-acre asset, there'd be a fair amount of	11:17	3 A. Well, it just puts you on alert that
	4 scrutiny paid to any leasing process that were to	4	someone's interested in the area and they're willing
	5 take place at Heritage?	5	to -- to lease the land, and it would be good for
11:14	6 A. Yeah, I -- And I think that's a -- Again,	6	your client to see that happen. Whether -- whether
	7 we're small, and so we would -- we would be	7	there's any drilling or oil and gas found, that --
	8 discussing it, plus that's an agency situation, so	8	that's yet to be determined, but at least there's
	9 there's also communication going on with -- with	9	interest.
	10 those clients that's -- that's involved. And -- and	11:18	10 Q. Now, at some point, do you recall whether
	11 if it was a situation where it was an open tract,	11	JPMorgan had a different lease review procedure than
	12 I -- I don't know that we would be seeking their	12	the one outlined here in Exhibit 611?
	13 approval, if -- it was a -- if we were the agent, but	11:18	13 A. A different lease review? I -- I don't
	14 certainly internally we'd be discussing the deal.	14	recall that there was ever anything different.
11:15	15 Q. And when you say an agency situation, can	11:18	15 Q. And I guess that you said that the Bank One
	16 you clarify for a rookie what that means?	16	merger took place in 2004, right? And --
11:15	17 A. If you're a trustee, your -- you -- you have	11:18	17 A. Yes.
	18 the responsibility to -- to manage the assets fully,	11:18	18 Q. -- they adopted Bank One's procedures in
	19 without input; whereas, as agent, you're acting as	19	2004?
	20 their agent, and depending on the permissions and	11:19	20 A. No, that's not really what happened. Both
	21 authority granted in the agency agreement, you have	21	banks had procedures, and those were maintained for a
	22 to comply with that.	22	period of time. And then there was a -- a review of
11:16	23 I think I find that in many situations, your	23	the -- of the two procedures, with a single set of
	24 clients -- you're the agent, but they like to know	24	procedures that were developed, I'm going to say, in
	25 what's going on, you know, and -- and so we -- we	25	the 2005-6 time frame. But until then, I think both
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	1 share with them, and we like to do that, keep them	1	banks operated on their separate policies and
	2 abreast of what's going on and how things are	2	procedures until that was done.
	3 progressing. So that -- that would be the	11:19	3 Q. Okay. Let me -- let me tell you. I just --
	4 difference.	4	Greg Crow. You know who Greg Crow is, right?
11:16	5 Q. And in a trust situation, if you had 3,000	11:19	5 A. Yes.
	6 acres that you were considering leasing, you would	11:19	6 Q. He just testified in a deposition, and I'll
	7 have a fair amount of internal discussion at Heritage	7	explain what Mr. Crow said, and you can tell me if
	8 before a lease was signed. Is that right?	8	you recall this or whether you think it is correct.
11:16	9 A. Probably, just by the nature of the fact	9	He indicated in his deposition that prior to 2006,
	10 that it was, you know, a fairly large tract and the	10	when this policy went into effect, that what would
	11 financial impact benefit to our -- to our clients.	11	happen at JPMorgan is a property manager was -- was
11:16	12 Q. It -- it's an important decision when you	12	required to get lease approval from a senior location
	13 decide to lease 3,000 acres, isn't it?	13	manager and a trust advisor. And then what would
11:17	14 A. It would be. Depends on the area again. If	14	happen is the lease would go to a formal trust
	15 we had 10,000 acres in an area that had never been	15	committee for approval. Do you recall that procedure
	16 drilled, that -- the bonus is probably not going to	16	during your tenure at JPMorgan?
	17 be much. It -- it's still a good sign that someone's	11:20	17 A. That -- that was the procedure up to the
	18 interested and is willing to lease it, but you may	18	merger. They might have continued with that in the
	19 not -- other than the fact that there's an interest	19	Houston office after that, but that wasn't the
	20 in the area, it's not going to have a big financial	20	procedure for -- for the combined merged banks after
	21 impact as much as just the fact that there's interest	21	that -- the rewrite of the procedures.
	22 and maybe something good's going to happen in the	11:20	22 Q. And when did that rewrite take place?
	23 area.	11:21	23 A. I'm going to say 2005, 2006.
11:17	24 Q. Right. So when you have interest in a	11:21	24 Q. Okay. Do you know why that procedure was
	25 certain area, that puts you on alert that there may	25	taken out of place and replaced with the procedure

<p style="text-align: right;">Page 96</p> <p>1 here in Exhibit 611?</p> <p>11:21 2 MR. WILLIAMS: Objection, form.</p> <p>11:21 3 A. Well, the -- if you're talking about the</p> <p>4 JPMorgan procedure?</p> <p>11:21 5 Q. Yes.</p> <p>11:21 6 A. Okay. There were two procedures and there</p> <p>7 needed to be one, and that the -- JPMorgan had</p> <p>8 decided to -- to use the bank model, and so that</p> <p>9 included the Bank One policy and procedures that were</p> <p>10 in place. Bank One had determined that, generally</p> <p>11 speaking, the -- the trust officer didn't really lend</p> <p>12 anything to -- to the -- to the arrangement or</p> <p>13 agreement as far as really understanding because --</p> <p>14 so their -- their sign-off was -- was -- usually,</p> <p>15 they didn't contribute anything to -- to the deal as</p> <p>16 far as the terms, and so that was eliminated as one</p> <p>17 of the steps in there, is to take that through a</p> <p>18 trust committee, and it was maintained at the -- at</p> <p>19 the department level, the approval.</p> <p>11:22 20 Q. So the trust officer and the trust committee</p> <p>21 were both taken out. Is that -- is that right?</p> <p>11:22 22 A. As far as the policy and procedures go.</p> <p>23 They're -- they might have been involved in it.</p> <p>24 Depending on the account and the client, but as far</p> <p>25 as an approval on the lease, they were not.</p>	<p style="text-align: right;">Page 98</p> <p>1 ranging from investments, to real estate property, to</p> <p>2 everything they may have. And I don't have</p> <p>3 experience with that, just the Oil and Gas piece.</p> <p>11:24 4 Q. Okay. Now, are you aware that the STS Trust</p> <p>5 contains 132,000 mineral acres right in the heart of</p> <p>6 the Eagle Ford Shale play?</p> <p>11:24 7 A. I couldn't have told you the size, so that's</p> <p>8 the first time I've heard that figure. I know it was</p> <p>9 a large ranch in the Eagle Ford area.</p> <p>11:24 10 Q. In your experience, is it rare to have a</p> <p>11 mineral acreage of that size which is subject to a</p> <p>12 single point of control like the STS property?</p> <p>11:25 13 A. It's the only account I've ever known that</p> <p>14 had that size of a property.</p> <p>11:25 15 Q. As a mineral manager, would you agree that</p> <p>16 the size and single point of control of the STS</p> <p>17 acreage provides special value?</p> <p>11:25 18 A. Can you elaborate on that?</p> <p>11:25 19 Q. Well, the fact that you've got a</p> <p>20 tremendously large contiguous asset that is all</p> <p>21 subject to one point of control, does that make that</p> <p>22 asset of special value to oil producers?</p> <p>11:25 23 A. When you say one point of control being?</p> <p>11:25 24 Q. Being JPMorgan.</p> <p>11:25 25 A. Okay. I -- I would say yes.</p>
<p style="text-align: right;">Page 97</p> <p>11:22 1 Q. Does Heritage have anyone with trust</p> <p>2 experience that is required to review leases before</p> <p>3 they're approved?</p> <p>11:23 4 A. A trust officer? No.</p> <p>11:23 5 Q. Well -- You said no?</p> <p>11:23 6 A. A trust -- Not a trust officer, no.</p> <p>11:23 7 Q. Okay. And the head of the department at</p> <p>8 Heritage, does he have trust experience?</p> <p>11:23 9 A. As a -- as a trust officer? You know, I --</p> <p>10 I'm going to say that I don't know. I know he has</p> <p>11 oil and gas experience working for a trust company.</p> <p>12 Whether he has trust experience, I -- I don't know.</p> <p>13 You're going to have to ask him that.</p> <p>11:23 14 Q. Fair enough. You have trust experience,</p> <p>15 though?</p> <p>11:23 16 A. As an oil and gas property manager.</p> <p>11:23 17 Q. Okay.</p> <p>11:23 18 A. You know, when you say trust experience,</p> <p>19 I -- I take that to be as a trust officer dealing</p> <p>20 with --</p> <p>11:23 21 Q. A fiduciary --</p> <p>11:23 22 A. -- dealing --</p> <p>11:23 23 Q. -- trust officer.</p> <p>11:23 24 A. Yeah, dealing with the clients as their</p> <p>25 relationship manager, overseeing the entire account,</p>	<p style="text-align: right;">Page 99</p> <p>11:25 1 Q. Okay. Can you tell me why?</p> <p>11:25 2 A. Just that it's one place that you have to go</p> <p>3 to negotiate to acquire a lease or an agreement</p> <p>4 covering all or a portion of that -- of that acreage.</p> <p>5 They don't have to do as much -- Now, they may -- it</p> <p>6 might be -- it depends on how it was put together.</p> <p>7 You know, if it was one ranch all along, the -- the</p> <p>8 title may be easier to run. If it was put together</p> <p>9 by smaller tracts being acquired over time, then each</p> <p>10 of those might have their own, separate title. I</p> <p>11 don't know enough about STS to know how -- how it</p> <p>12 came about. But assuming that it was one large piece</p> <p>13 of land with one source of title, it's certainly</p> <p>14 easier to run title on that than on hundreds of</p> <p>15 smaller tracts that would add up to that.</p> <p>11:26 16 Q. Do you -- do you recall that when you were</p> <p>17 at JPMorgan in 2007-2008 as to whether there was any</p> <p>18 discussion with any of the mineral managers and</p> <p>19 yourself about the state of the economy and the</p> <p>20 financial crisis?</p> <p>11:27 21 A. I -- I don't recall having a specific</p> <p>22 conversation like that. I'm sure there might have</p> <p>23 been, but I don't recall it.</p> <p>11:27 24 Q. To your knowledge, did the crisis have any</p> <p>25 impact on JPMorgan's leasing strategy?</p>

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11:27	1 A. I wouldn't say the strategy as much as just	11:31	1 A. Well, again, that's -- You know, my
	2 the overall industry. I -- I -- Ask that question		2 individual way of handling things might be different
	3 again. Maybe I'm not answering it.		3 than -- than others. It might be that I felt that
11:27	4 Q. Sure. To your knowledge, did the financial		4 this was a good deal and they were going to be an
	5 crisis in 2007, 2008 have any impact on JPMorgan's		5 active, aggressive company, and so we wanted to see
	6 leasing strategy?		6 that continued. I -- I mean, you're asking me to
11:27	7 A. I -- I would say no.		7 speculate, and I really can't.
11:27	8 Q. You would not expect a mineral manager under	11:31	8 Q. Well, let me try and fill in some facts to
	9 your supervision to make leasing determinations based		9 help you out. The May of 2008 leases were signed
	10 on that individual's beliefs about the current state		10 with bonuses of \$150 and \$175 an acre, two- and
	11 of the economy, would you?		11 three-year primary terms. The July lease -- Those --
11:28	12 MR. WILLIAMS: Objection, form.		12 those leases were about 25,000 acres in May of 2008.
11:28	13 A. I -- I would think that you're looking at		13 The discovery well was drilled on those May leases.
	14 from what the offer is, what's going on in the -- in		14 Before the announcement of the discovery well, they'd
	15 the area, what's happened in the area prior to that.		15 leased out about 17,000 more acres in July of 2008 at
	16 I -- certainly the -- the economy is -- is in the		16 about 200 bucks an acre, and I think it was
	17 backdrop, but I think that the overall is what's		17 three-year primary terms. And then what ultimately
	18 going on -- you know, what necessarily happens in the		18 happened was this was announced on October 22nd, the
	19 economy doesn't necessarily equate to what's going on		19 discovery well had hit, and it was publicly
	20 in the oil industry. And, you know, we've -- we've		20 announced, and following that, there were three more
	21 seen a bad economy since 2008, but the oil industry		21 leases for about 37,000 acres which were at \$200 an
	22 has actually done well during that time. And so I		22 acre, and they had five-year primary terms and the
	23 think what you're trying to do is negotiate the best		23 continuous drilling obligations -- those terms
	24 you can at that point in time, based on what you see		24 actually got worse as compared to the earlier leases.
	25 and know at that point in time.	11:32	25 If you were managing STS and you're here at
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11:29	1 Q. I think I mentioned earlier that the Eagle		1 Heritage, would you have leased out that last 37,000
	2 Ford discovery well was publicly announced on about		2 acres on terms that were very, very similar to what
	3 October 21st of 2008. Can I ask you to go back to		3 the terms were before the discovery well was
	4 Exhibit 34 for just one second?		4 announced?
11:29	5 A. (Witness complies.)	11:33	5 A. You know, this -- this is just a
11:29	6 Q. Now, this is a letter that is signed by		6 speculation, and I don't -- I don't feel that's fair
	7 JPMorgan the day after the announcement of the		7 to -- to go in that direction, you know. If it's a
	8 discovery well, and it purports to commit nearly		8 factual thing you want me to -- to give my input, but
	9 40,000 acres of STS lands to Petrohawk. Can you tell		9 I -- I don't want to get into a speculation of
	10 me, based on your experience as a mineral manager,		10 what -- what I would have done or not done. I don't
	11 would you have signed a letter like this the day		11 think that's really fair.
	12 after Petrohawk announced the discovery well on the	11:33	12 It's certainly easy to look back in
	13 STS lands?		13 hindsight and say you'd do things differently. But
11:30	14 A. I -- I can't say. I think it depends on		14 at this point in time I don't think, you know, what I
	15 what -- you know, the discovery well, the prior		15 think is that's all tainted kind of by what's
	16 negotiations, the other interest that -- that's been		16 happened since, so I don't -- I don't know that I can
	17 shown or not shown. There's a lot of factors. So I		17 answer that.
	18 can't really second-guess the signing or -- or not of	11:33	18 Q. That's fair. How is it hindsight when you
	19 this -- of this letter agreement at this point in		19 have a discovery well and you know at least --
	20 time on what I would have done or not done.		20 Wouldn't you have known, once there's a discovery
11:30	21 Q. But wouldn't you want to -- once this thing		21 well, that there's a potential for the acreage to
	22 is out in the press and everybody's getting aware of		22 become pretty valuable?
	23 it, wouldn't you want to see what you might be able	11:34	23 A. Well, the hindsight that I'm referring to is
	24 to get for that acreage in a sort of a competitive		24 look -- looking at what was done now six years ago,
	25 process?		25 and certainly at the time, you should factor

<p style="text-align: right;">Page 104</p> <p>1 everything in that -- that's happened, use all the</p> <p>2 information available. Like I said earlier, any time</p> <p>3 you make a deal, you pull together all the</p> <p>4 information that you can and that's available at that</p> <p>5 point in time and make -- make a decision based on</p> <p>6 that.</p> <p>11:35 7 So, you know, I don't know the relative</p> <p>8 closeness or proximity, for example, of the well to</p> <p>9 the property. Are we talking about a mile away? Are</p> <p>10 we talking about -- These are all things that would</p> <p>11 be considered, a mile away, 10 miles away, 20 miles</p> <p>12 away, because --</p> <p>11:35 13 Q. Well, let me tell you --</p> <p>11:35 14 A. But -- but I don't know.</p> <p>11:35 15 Q. Okay. Well, I'll try and fill in just a few</p> <p>16 facts. The discovery well was drilled right on the</p> <p>17 STS property, and it was drilled in the first 25,000</p> <p>18 acres that was leased out in May of 2008. And what</p> <p>19 I'm asking you, is after you had leased out 25,000</p> <p>20 acres, which is a pretty substantial piece of</p> <p>21 acreage, would you, personally, think it would be</p> <p>22 prudent to try and gather more information and figure</p> <p>23 out what may be happening on this land before you</p> <p>24 leased out the remainder of the 80,000 acres?</p> <p>11:36 25 A. You know, I -- I think you try to pull</p>	<p style="text-align: right;">Page 106</p> <p>1 55,000 acres, if anything?</p> <p>11:38 2 A. Well, is that -- I mean, it goes back to</p> <p>3 these, Assume this, assume that, and I -- I really</p> <p>4 don't feel that -- that it would be right for me to</p> <p>5 start saying, This is what I'd do, that's what I'd</p> <p>6 do, so I -- you know, it's just a -- what's happened</p> <p>7 has happened here, and I -- I don't know that it --</p> <p>8 that it -- I should be speculating on what we would</p> <p>9 do or not do different from what was done.</p> <p>11:38 10 Q. You don't feel comfortable discussing what</p> <p>11 you would do in the factual circumstance that I just</p> <p>12 presented to you?</p> <p>11:38 13 A. No.</p> <p>11:38 14 MR. CHRISTIAN: Okay. That's all I have</p> <p>15 then.</p> <p>11:38 16 MR. WILLIAMS: All right. Let's take a</p> <p>17 break. All right, you're passing the witness?</p> <p>11:38 18 MR. CHRISTIAN: Yes.</p> <p>11:38 19 MR. WILLIAMS: Okay.</p> <p>11:38 20 MS. ROBERTS: Going off the record, 11:38.</p> <p>21 This will be the end of Tape 2.</p> <p>11:39 22 (Whereupon, a short recess was held.)</p> <p>11:45 23 MS. ROBERTS: We're back on the record,</p> <p>24 11:47. This is the beginning of Tape 3.</p> <p>11:47 25 CROSS-EXAMINATION</p>
<p style="text-align: right;">Page 105</p> <p>1 together all the information you can and -- and base</p> <p>2 decisions on that, and I -- I don't think that</p> <p>3 what -- I mean, you're trying to get me to say</p> <p>4 I would have done things differently here. I don't</p> <p>5 know that I would have at the time. I -- I just --</p> <p>6 Certainly, looking at it now, with -- with what's</p> <p>7 happened, it would be easy to say, yes, you shouldn't</p> <p>8 have leased anything more than 1,000 acres. But, you</p> <p>9 know, at the time, you -- you leased what you did.</p> <p>11:36 10 I don't know the considerations that went into the --</p> <p>11 the lease that you're talking about, so I would have</p> <p>12 to know that before I -- There might have been very</p> <p>13 good and valid reasons for why that -- this -- this</p> <p>14 deal was done. I don't know.</p> <p>11:36 15 Q. Well, maybe what I can do is, I can give you</p> <p>16 facts to assume so that we can give you a more</p> <p>17 specific example of what you might do today at</p> <p>18 Heritage. Let's assume that you have -- at Heritage,</p> <p>19 that you're managing a 132,000-acre property, and</p> <p>20 that you lease out 25,000 acres, just about 25,000</p> <p>21 acres, in two leases to a known shale player. You</p> <p>22 lease them out at 150 bucks an acre and 175 bucks an</p> <p>23 acre with two- and three-year primary terms. So</p> <p>24 you've got about 55,000 acres left. What would you</p> <p>25 want to do before you leased out that remaining</p>	<p style="text-align: right;">Page 107</p> <p>11:47 1 BY MR. WILLIAMS:</p> <p>11:47 2 Q. All right, Mr. Herford, I'm going to ask you</p> <p>3 a few questions now, and I'm going to try to not</p> <p>4 replot a bunch of ground that we've just plowed. But</p> <p>5 just so we're clear on some of your answers and</p> <p>6 testimony, I may go back over some things.</p> <p>11:48 7 It's my understanding that you became head</p> <p>8 of Oil and Gas for JPMorgan in 2005. Is that</p> <p>9 correct?</p> <p>11:48 10 A. Yes.</p> <p>11:48 11 Q. And that was in line with your move to Fort</p> <p>12 Worth.</p> <p>11:48 13 A. Yes.</p> <p>11:48 14 Q. All right. And so, from 2005 until you</p> <p>15 stepped down as head of Oil and Gas, you were head of</p> <p>16 all of the -- or you were the -- Well, you were head</p> <p>17 of the entire oil and gas department and specialty</p> <p>18 assets for JPMorgan, correct?</p> <p>11:48 19 A. Yes.</p> <p>11:48 20 Q. And so, all of the senior mineral managers</p> <p>21 would have reported directly to you.</p> <p>11:48 22 A. Yes.</p> <p>11:48 23 Q. And so Patty -- Patricia Schultz-Ormond, she</p> <p>24 would have been one of those senior mineral managers</p> <p>25 that reported directly to you, correct?</p>

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11:48	1 A. Yes.	11:51	1 A. Tried to.
11:48	2 Q. And do you recall, had she already been	11:51	2 Q. Okay. And did managers attend these
	3 employed by JPMorgan when you became head in 2005, or		3 meetings in person and by telephone, or how -- how
	4 was it sometime after that?		4 did that happen?
11:49	5 A. No. She was -- she was actually hired by --	11:51	5 A. Well, the -- Both. The Fort Worth managers
	6 I'm going to say by Greg Crow. She was hired by		6 were in person. The outlying office -- offices
	7 JPMorgan, but Greg Crow was the one that interviewed		7 would -- would call in.
	8 her initially. We had an opening in Houston, and our	11:51	8 Q. Okay. So you would have a conference call
	9 initial thoughts were that we were hiring somebody		9 number, and then all the outlying managers would call
	10 for the Houston position, but it turned out that she		10 into this conference call number at a certain time?
	11 did not want to go to Houston, and we felt like she	11:51	11 A. Yes.
	12 was a very strong candidate and property manager,	11:51	12 Q. And then as head in Oil and Gas, were you
	13 that there was a benefit to having a presence in San		13 the chairman, so to speak, of these meetings?
	14 Antonio, that actually, I -- I found out -- I didn't	11:51	14 A. I guess moderator, chairman.
	15 know it at first, that there had been an office in	11:51	15 Q. Okay. And were all of the mineral managers
	16 San Antonio that had been closed and those accounts		16 expected to call in to these meetings?
	17 moved to Houston, and so this allowed us to move	11:52	17 A. Yes.
	18 those back to San Antonio, which is where the front	11:52	18 Q. Okay. And so, as a senior mineral manager,
	19 office managed those accounts. And we also felt that		19 Patricia Schultz-Ormond would have participated in
	20 there was, you know, opportunity there for -- for		20 these conference calls, correct?
	21 other new business in the San Antonio area. So Patty	11:52	21 A. Yes.
	22 was a good fit for that and we hired her. Initially,	11:52	22 Q. And you recall her participating?
	23 she reported to Greg Crow, and then later she was	11:52	23 A. Yes.
	24 promoted to a senior property manager position.	11:52	24 Q. Now, tell me again what, in general, would
11:50	25 Q. Okay. And was that promotion in connection		25 be the format for these calls.
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	1 with the reopening of the San Antonio office?	11:52	1 A. I would start the call with the -- sharing
11:50	2 A. No. It was -- it was after that --		2 any corporate-type information, information that
11:50	3 Q. Okay.		3 Kevin Smith had passed on to -- to me. He would have
11:50	4 A. -- that San Antonio was open -- was opened.		4 an occasional meeting or call with -- with his --
	5 She was hired -- I can't tell you the timing of that,		5 with the heads of the closely held oil and gas real
	6 but initially she was -- she was not a senior		6 estate and farm and ranch management and share
	7 property manager.		7 information that -- that we would then pass on. I --
11:50	8 Q. Well, and you may not recall this, but is it		8 I can't tell you a specific instance, but whatever he
	9 possible that she may have worked in Houston for a		9 had shared pertaining to the company, we would share
	10 short period of time before, then she went back to		10 with -- with the team. So that would be the -- the
	11 San Antonio?		11 first thing.
11:50	12 A. She might have commuted. I don't recall.	11:53	12 And then, after that, I would go around the
11:50	13 Q. Okay. And was it your decision to reopen		13 table -- Initially, we -- we had them where everybody
	14 the San Antonio office?		14 shared, but it was taking too long, so we would have
11:50	15 A. I -- I recommended it, yes.		15 the senior property managers represent the team and
11:50	16 Q. Okay. And you would have recommended that		16 then, on occasion, invite one of the property
	17 to your supervisor at the time, was Kevin Smith?		17 managers to -- to tell more. Or if the senior
11:50	18 A. You know, I don't recall if it was Paul		18 property manager wasn't there, they would ask one of
	19 Midkiff or -- or Kevin at the time that occurred.		19 the property managers reporting to them to -- to
11:51	20 Q. Okay. Now, you testified some about these		20 represent that office in -- in the call.
	21 manager meetings that you conducted while you were	11:53	21 So in -- and they would talk about what's
	22 head of Oil and Gas, correct?		22 going on in their area, and this would include any --
11:51	23 A. Okay.		23 any leases that had been done, any negotiations that
11:51	24 Q. And you said that these manager meetings		24 were going on that -- Now, again, there wouldn't be
	25 were held on a regular basis?		25 one -- There's a lot of small interest deals,

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<p>1 quarter-acre, half-acre, one acre, not a lot of time 2 spent on those. But if there was anything worth 3 mentioning, they would; if there was any new client 4 opportunities, they would talk about that; if there 5 were any closings that had come up, they would talk 6 about that. They would talk about, if there was a 7 status of a closing or an opening, where that stood, 8 what was going on with it. And if there were any -- 9 any issues that were, you know, of -- of enough size 10 that everybody needed to be aware of it with -- with 11 a particular company. So -- that -- that would kind 12 of be the general format.</p> <p>11:54 13 It would follow the reporting spreadsheet 14 that had been prepared so they could actually use 15 their spreadsheet and -- and go right from it. But 16 certainly, they could hand that in and everybody 17 could read them, but this was, I think, opportunity 18 to -- to -- to share, and if there were any 19 questions, somebody could ask a question.</p> <p>11:55 20 Q. Okay. So, in advance of the meeting, senior 21 mineral managers such as Patricia Schultz-Ormond were 22 expected to fill in information on a spreadsheet 23 about these pending trades, leases that had been 24 done, etc., correct?</p> <p>11:55 25 A. What -- what I tried to do was set it up to</p>	<p>1 of Oil and Gas, did you continue to moderate those 2 calls?</p> <p>11:56 3 A. Yes.</p> <p>11:56 4 Q. Even after you'd moved to Arkansas?</p> <p>11:56 5 A. Yes.</p> <p>11:56 6 Q. And then, did those calls continue after 7 Mr. Hayes-Davis took over?</p> <p>11:56 8 A. I -- I don't recall. I -- I don't think so, 9 but I don't recall.</p> <p>11:56 10 Q. Okay. It's -- it's possible; you just don't 11 recall?</p> <p>11:57 12 A. Yes, that's correct.</p> <p>11:57 13 Q. All right. All right. As -- as 14 Ms. Ormond's supervisor at JPMorgan, what were your 15 impressions of her as a mineral manager?</p> <p>11:57 16 A. I thought real highly of Patty Ormond as 17 a -- one of the sharpest property managers that we 18 had; that she was very knowledgeable about the oil 19 and gas industry as a whole; that she knew a great 20 deal and shared a lot with -- with the other property 21 managers, what she knew. She was one of the hardest 22 working mineral managers that we had and tried to do 23 all she could for the benefit of -- of the clients 24 that -- that she represented.</p> <p>11:58 25 Q. And did you ever have any problems with her</p>
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<p>1 where the -- that was done and then the call was 2 held. And there was a -- a time when Kevin wanted 3 his reports, Kevin Smith wanted his reports turned 4 in, so I needed our reports prior to that. And -- 5 and so I wanted to not have duplicate work going on 6 in preparation for the conference call, so I tried to 7 time it where whatever work they put in to filling 8 out that information sheet was -- was when we had the 9 call, and -- and then they could share it, rather 10 than having to update it a week or two later.</p> <p>11:55 11 Q. Okay. And so, as senior mineral manager and 12 head of the San Antonio office, Patty Ormond would 13 have completed these spreadsheets, correct?</p> <p>11:56 14 A. Yes.</p> <p>11:56 15 Q. And she also would have represented the San 16 Antonio office in these regular mineral manager 17 calls, correct?</p> <p>11:56 18 A. Yes.</p> <p>11:56 19 Q. And she would have discussed her trades, 20 pending offers, etc.</p> <p>11:56 21 A. Yes.</p> <p>11:56 22 Q. And did those calls continue even after you 23 left Fort Worth and moved to Hot Springs, Arkansas?</p> <p>11:56 24 A. Yes.</p> <p>11:56 25 Q. And before Mr. Hayes-Davis took over as head</p>	<p>1 in terms of her work as a mineral manager for 2 JPMorgan?</p> <p>11:58 3 A. No.</p> <p>11:58 4 Q. How did you observe Ms. Ormond approaching 5 her management of the South Texas Syndicate 6 relationship?</p> <p>11:58 7 A. I -- I can't say that I ever actually 8 observed it. What -- what I gathered from by going 9 to NAPE and -- and seeing the work that she had done?</p> <p>11:58 10 Q. Yeah, that -- that's what I meant.</p> <p>11:58 11 A. Okay. I -- I felt like she had gone above 12 and beyond what most mineral management companies 13 would have provided for a similar client, that going 14 out and hiring a geophysicist to -- to identify the 15 seismic that was available and to reprocess that 16 seismic to identify prospects, to take those out on 17 the street and try to find someone interested in 18 them, to taking them to NAPE, that's just above and 19 beyond what -- what most companies, whether it's 20 JPMorgan before and after Patty Ormond or Bank of 21 America or even Heritage. You know, it's not normal 22 for a company in that position to actually generate 23 prospects, okay? And so what she had done with that 24 was extraordinary.</p> <p>11:59 25 Q. And how would you describe her management of</p>

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11:59	<p>1 South Texas Syndicate? Would you say that it was a</p> <p>2 passive management style or a more active management</p> <p>3 style?</p> <p>4 A. Well, my -- my impression, which is -- is</p> <p>5 limited, but it was an active and -- active</p> <p>6 management, and I -- I had the impression that she</p> <p>7 was spending a great deal of time and energy and</p> <p>8 effort on behalf of the South Texas Syndicate, many</p> <p>9 long hours.</p>		<p>1 asked, I -- I didn't like what was going on there</p> <p>2 until I started working with the individuals. And</p> <p>3 we -- we redirected what -- what they were going to</p> <p>4 do, to where they were really fully supporting, by</p> <p>5 their efforts, what was going on in the oil and gas</p> <p>6 department, and I felt they could really take a lot</p> <p>7 of load off of the property manager by doing work</p> <p>8 in -- in advance of the property manager taking it.</p> <p>9 And a lot of that would be the property manager could</p>
12:00	<p>10 Q. Okay. Were you also the supervisor of H.L.</p> <p>11 Tompkins?</p>		<p>10 focus on analysis rather than input, and -- and so we</p> <p>11 created a way that assets would be red flagged for</p>
12:00	<p>12 A. Yes.</p>		<p>12 further research. And then my plan was to teach them</p>
12:00	<p>13 Q. And I believe in your testimony earlier, you</p> <p>14 mentioned he was hired to be the head of the Houston</p> <p>15 office. Is that correct?</p>		<p>13 how to do that research, again, to pull out facts and</p> <p>14 information that could then be reviewed and evaluated</p> <p>15 by the property manager.</p>
12:00	<p>16 A. Actually, I think he was hired to work in</p> <p>17 Houston initially -- And I could be wrong on this.</p> <p>18 This is a little fuzzy to me, whether he was hired --</p> <p>19 I think Greg Crow was there and then H.L. was hired.</p> <p>20 Greg Crow left, and I believe H.L. was then promoted</p> <p>21 to the head of the Houston office. But again, I</p> <p>22 could be off on the timing of that, but he was hired</p> <p>23 in the Houston office for sure.</p>	12:03	<p>16 But we hadn't got to that point whenever I</p> <p>17 was terminated, so the main thing that they were</p> <p>18 doing was downloading reports into an Excel format,</p> <p>19 and formulas were applied that would red-flag certain</p> <p>20 properties for further research. And that was at a</p> <p>21 point in time when I was let go, and where it went</p> <p>22 from there, I don't know.</p>
12:00	<p>24 Q. Okay. And he reported to you?</p>	12:03	<p>23 Q. Okay. Was there ever any -- any discussion</p> <p>24 about moving mineral management functions, such as</p> <p>25 negotiating leases, etc., to anyone in India?</p>
12:01	<p>25 A. At -- at one point, yes.</p>		
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12:01	<p>1 Q. Okay. As a senior mineral -- senior mineral</p> <p>2 manager?</p>	12:03	<p>1 A. No.</p>
12:01	<p>3 A. Yes.</p>	12:03	<p>2 Q. Okay. So it was really limited to this</p> <p>3 subset of the account review process as you've --</p>
12:01	<p>4 Q. And what were your impressions of</p> <p>5 Mr. Tompkins' abilities as mineral manager?</p>	12:03	<p>4 A. Yeah.</p>
12:01	<p>6 A. I think he's very knowledgeable about oil</p> <p>7 and gas and land work. He was very thorough and very</p> <p>8 deliberate in his decision-making. He was good to</p> <p>9 work with -- and -- and never -- never saw any</p> <p>10 instance of where he didn't do anything but what he</p> <p>11 thought was best for his clients that he worked for.</p>	12:03	<p>5 Q. -- described in your testimony, correct?</p>
12:01	<p>12 Q. And as his supervisor, did you ever have any</p> <p>13 problems with his performance as a mineral manager?</p>	12:04	<p>6 A. That -- that's correct. And -- and even --</p> <p>7 there -- there was no discussion that they would have</p> <p>8 any contact whatsoever with clients or oil companies.</p>
12:01	<p>14 A. No.</p>	12:04	<p>9 Q. So this is just some kind of back office</p> <p>10 work?</p>
12:01	<p>15 Q. Mr. Christian was asking you some questions</p> <p>16 about a project you worked on, as far as having a</p> <p>17 group in India assist with account reviews. Do you</p> <p>18 recall that testimony?</p>	12:04	<p>11 A. That was correct.</p>
12:02	<p>19 A. Yes.</p>	12:04	<p>12 Q. Okay.</p>
12:02	<p>20 Q. And do you know if JPMorgan actually</p> <p>21 followed through with that or not?</p>	12:04	<p>13 A. That is correct.</p>
12:02	<p>22 A. I think they did for a short while. I</p> <p>23 was -- I was working on that at the time that they</p> <p>24 terminated my position, and I actually went from a --</p> <p>25 although, I -- I was happy to do whatever I was</p>	12:04	<p>14 Q. Mr. Christian was asking you some questions</p> <p>15 about your impressions of the various lease terms</p> <p>16 that were negotiated between JPMorgan and Petrohawk</p> <p>17 as reflected in some leases that he showed you.</p>
		12:04	<p>18 A. Uh-huh.</p>
		12:04	<p>19 Q. You remember that?</p>
		12:04	<p>20 A. Uh-huh, yes.</p>
		12:04	<p>21 Q. And I believe your testimony was that</p> <p>22 there's a lot of factors that have to be evaluated by</p> <p>23 a mineral manager in deciding whether or not to</p> <p>24 accept certain lease terms?</p>
		12:04	<p>25 A. Yes.</p>

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12:04	1 Q. And just based upon your work with	12:07	1 BY MR. WILLIAMS:
	2 Ms. Ormond, do you believe that she was qualified and	12:07	2 Q. So when you said it's very easy for you to
	3 had the abilities to fully evaluate those kinds of		3 have meetings, it really is. Just four of you get
	4 lease terms --		4 together in a room and talk about your trades,
12:05	5 A. Yes.		5 correct?
12:05	6 Q. -- on behalf of the STS Trust?	12:07	6 A. That, and we all office right next to each
12:05	7 A. Yes.		7 other.
12:05	8 Q. Mr. Christian also asked you questions about	12:07	8 Q. Go to lunch together?
	9 the circumstances under which you would agree to	12:07	9 A. Yeah, go to lunch together. There's a lot
	10 enter into lease extensions. Do you remember that		10 of shop talk at lunch.
	11 testimony?	12:07	11 Q. During these calls that you would have when
12:05	12 A. Yes.		12 you were head of Oil and Gas for JPMorgan, I think --
12:05	13 Q. And I believe your testimony there again was		13 I think I'm clear on this, but this --
	14 it depends on a lot of different circumstances on	12:07	14 A. Could I back up for a minute?
	15 whether or not to agree to a particular lease	12:07	15 Q. Sure.
	16 extension, correct?	12:07	16 A. That -- When I said there's four. There's
12:05	17 A. That's correct.		17 actually three and -- and one that's -- that's being
12:05	18 Q. And do you believe that Ms. Ormond would be		18 promoted to a property manager, so he has not been
	19 capable to evaluate those considerations and -- and		19 acting as a property manager prior till now. And he
	20 make a prudent decision on whether or not to grant a		20 was hired -- He's a young attorney that was hired,
	21 lease extension, for example?		21 and so he's been doing other work other than property
12:06	22 A. Yes.		22 manager work, but -- So he -- he will be actually --
12:06	23 Q. And what about Mr. Tompkins?		23 actually, there will be three and has been three, so.
12:06	24 A. Yes.	12:08	24 Q. Okay. Yeah. I wanted to ask you again
12:06	25 Q. And in terms of whether or not to grant		25 about these calls. I believe you mentioned that
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	1 extension, isn't it true that whether or not a lease		1 there would be -- all the mineral managers would be
	2 gets extended is oftentimes within the control of the		2 on the calls, and you might have 20 total mineral
	3 lessee, not the lessor, correct?		3 managers in the department. But do I understand your
12:06	4 A. Yes.		4 testimony correctly, that the senior mineral managers
12:06	5 Q. The lessee can decide to drill to maintain a		5 would do most of the discussion -- or lead most of
	6 lease, correct?		6 the discussions on the calls?
12:06	7 A. That's -- that's correct.	12:08	7 A. Initially, we went around the table with
12:06	8 Q. All right. And I think I'm clear on this,		8 everybody, and it was just taking too long, so we
	9 but I understood your testimony that at your present		9 narrowed that down to a representative from each
	10 employment with Heritage here in Oklahoma City, they		10 office. Dallas had -- or Dallas had two -- Or take
	11 do not have a formal oil and gas lease committee to		11 that back. Houston had one, Dallas had one, Fort
	12 review lease terms and transactions, correct?		12 Worth had two. So they -- the senior property
12:06	13 A. That's correct.		13 managers would be the one representing the area that
12:06	14 Q. And how -- how many mineral managers are		14 they oversaw or the team that they oversaw.
	15 there at Heritage?	12:09	15 Q. Okay. And that would be Patty Ormond for
12:07	16 A. Four. Soon to be three.		16 San Antonio?
12:07	17 Q. You're not leaving, are you?	12:09	17 A. Yes.
12:07	18 A. I'm retiring.	12:09	18 Q. In terms of a -- your testimony about the
12:07	19 Q. Oh, you're retiring. When are you going to		19 standard JPMorgan lease form, was I correct in
	20 retire?		20 understanding that there was not a standard royalty
12:07	21 A. I'm going to retire at the end of this		21 rate included in that form?
	22 month.	12:09	22 A. That's correct.
12:07	23 MR. WILLIAMS: Okay.	12:09	23 Q. So the royalty rate was also subject to
12:07	24 MR. CHRISTIAN: Congratulations.		24 negotiation?
12:07	25 THE WITNESS: Well, thank you.	12:10	25 A. That's correct.

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12:10	1 Q. Do you have an opinion as to whether or not	1	now and then as the play evolves, this is what it
	2 a 25 percent royalty rate is a good royalty rate for	2	went to and this is what it fell off to. I -- I
	3 wildcat acreage?	3	think my feeling is, is that whether it's shale play
12:10	4 A. Excellent royalty rate.	4	or any play, that the success of the wells in the
12:10	5 Q. And in your experience as a mineral manager,	5	play drive the competition for -- for the open
	6 is it prudent in some instance to trade off a higher	6	acreage. And as the open acreage gets leased, the
	7 bonus if you can get a higher royalty rate?	7	remaining acres, they're fewer and fewer, so the
12:10	8 A. Yes.	8	prices that are paid for those tend to go up. And
12:10	9 Q. Can you explain your answer?	9	that's as long as successful wells continue to be
12:10	10 A. I think that you're -- you're -- Usually,	10	drilled and -- and appear to be a good place to be
	11 the combinations of bonus and royalty range from a	11	drilling. But, you know, that can quickly turn
	12 very high bonus with a -- let's say a one-eighth	12	around, too, with factors such as the price of oil
	13 royalty, and as the royalty rate goes up, the bonus	13	and gas dropping and bad wells being drilled.
	14 goes down. And in many places, the bonus associated	12:14	14 Q. And within particular shale plays, there are
	15 with a quarter royalty is no bonus to get a quarter	15	some areas that become more target areas than others,
	16 royalty, because companies many times aren't willing	16	correct --
	17 to pay a bonus if they're going to have to also give	12:14	17 A. Yes.
	18 a quarter royalty, and that's why that's an excellent	12:14	18 Q. -- based on the success of wells?
	19 royalty in wildcat areas.	12:14	19 A. Right.
12:11	20 When we look at a -- a lease -- We have to	12:14	20 Q. So just because you have some acreage that
	21 take into account also the size of the acreage, a	21	may be in the Barnett Shale doesn't mean you're going
	22 one-acre tract is -- the -- the bonus is going to be	22	to get the same bonus, necessarily, as acreage in a
	23 relatively minor impact versus, you know, if you	23	different part of the Barnett Shale.
	24 granted a one-eighth lease. It's going to be more	12:14	24 A. That's correct.
	25 impactful to grant a quarter lease if a good well is	12:14	25 Q. When you were the head of Oil and Gas for
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	1 drilled long-term, and that's the approach that --	1	JPMorgan, did you have input in determining financial
	2 that we tried to take, is what's best for the client	2	bonuses for the employees that worked under you?
	3 long-term. At the same time, there are clients that	12:15	3 A. I did.
	4 have near-term, immediate financial needs, and you	12:15	4 Q. And what were the factors that went into
	5 have to consider that, too, in that decision.	5	your input?
12:11	6 If you are taking the high royalty rate,	12:15	6 A. I think it was their overall work that they
	7 then you're kind of rolling the dice with the oil	7	were doing and the quality of that work, the fact
	8 company whenever you reduce the -- the bonus, but	8	that, in general, banks have a difficult time
	9 it's still -- if you could get both, that's the --	9	competing with oil companies in -- in paying the --
	10 that's the best of both worlds, is getting bonus and	10	the salaries, and so we had to always be mindful of
	11 royalty of -- of a quarter.	11	that people could leave and make considerably more
12:12	12 Q. Okay. Mr. Christian was asking you some	12	money working for an oil company. And so part of the
	13 questions about shale plays and how bonuses may	13	bonus was with that in mind, you know, they could
	14 escalate as shale plays develop. Do you remember	14	make double what they were making working for the
	15 those questions?	15	bank, and so we would consider that.
12:13	16 A. Yes.	12:16	16 And the profitability of the department in
12:13	17 Q. And he even described that there might be a	17	the bank was also a consideration. Not that I
	18 bell curve that would apply. Did I understand your	18	necessarily knew the exact -- you know, the bank's
	19 testimony to be that, based on your experience, there	19	profits are reported and -- but we know going in that
	20 really is no typical type of shale play in terms of	20	either we're doing well or we're not doing well,
	21 how bonuses may escalate or increase as the play	21	and -- and -- because that was the first factor.
	22 matures?	12:16	22 I think that when Jamie Dimon took over Bank
12:13	23 MR. CHRISTIAN: Objection, form.	23	One and then later became the head of JPMorgan, one
12:13	24 A. You know, I -- I've never sat down and --	24	of his positions was that bonuses were not an
	25 and drawn it out with, you know, this is the bonus	25	entitlement, they were earned. And so, as long as

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12:16	<p>1 the department was doing well and the individuals</p> <p>2 were doing well and meeting the -- there were several</p> <p>3 objectives that had to be met to be eligible. One is</p> <p>4 annual account reviews had to be done and current and</p> <p>5 turned in on time. That -- that was a big one.</p> <p>6 And -- and that was a difference from at</p> <p>7 JPMorgan versus Bank One. Bank One did the annual,</p> <p>8 and JPMorgan took the position annual reviews weren't</p> <p>9 needed if you were doing your job on a day-to-day</p> <p>10 basis.</p> <p>11 But my experience, and I think the</p> <p>12 experience of others, were that you still needed to</p> <p>13 do that review, that one sit down, throw a complete</p> <p>14 review of the account on an annual basis, so that was</p> <p>15 one of the things that was implemented after the</p> <p>16 merger.</p> <p>17 But making sure that they were done and done</p> <p>18 on time was important in the bonus consideration and</p> <p>19 their overall work that they did, if there were --</p> <p>20 how well they did in bringing in new accounts and</p> <p>21 adding -- You know, the bottom line for the</p> <p>22 department was making sure that -- that we were</p> <p>23 profitable, so that all -- all factored in.</p> <p>24 Q. Okay. But a mineral manager didn't get, for</p> <p>25 example, a commission based upon a particular bonus</p>	12:19	<p>1 both. And Patty Ormond was very much involved with</p> <p>2 that team and had very much -- a lot of input in the</p> <p>3 terms and provisions that were contained in that</p> <p>4 standard lease form.</p> <p>5 Q. All right. Mr. Christian was asking you</p> <p>6 some questions about what you would have done if you</p> <p>7 had been presented with the lease offers that</p> <p>8 Ms. Ormond was presented with by Petrohawk in 2008.</p> <p>9 Remember that --</p> <p>10 A. Yes.</p> <p>11 Q. -- line of questions?</p> <p>12 Just based upon your experience managing</p> <p>13 Ms. Ormond, do you believe that she was competent and</p> <p>14 capable of evaluating information and making a</p> <p>15 prudent decision on behalf of the STS Trust --</p> <p>16 A. Yes.</p> <p>17 Q. -- in 2008 --</p> <p>18 A. Yes.</p> <p>19 Q. -- with respect to whether or not to enter</p> <p>20 into the Petrohawk leases?</p> <p>21 A. Yes.</p> <p>22 Q. And do you think it's fair for you to sit</p> <p>23 here today and second-guess her decisions?</p> <p>24 A. No.</p> <p>25 Q. Mr. Herford, I'm going to hand you what has</p>
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12:18	<p>1 payment, correct?</p> <p>2 A. Oh, no. No.</p> <p>3 Q. And do you know whether or not Ms. Ormond</p> <p>4 got a bigger bonus in 2008 because she signed leases</p> <p>5 with Petrohawk?</p> <p>6 A. I do not know that. I think her bonus for</p> <p>7 2008 would have been done in 2009, and I wouldn't</p> <p>8 have had input at that point.</p> <p>9 Q. Okay. You had some testimony about the</p> <p>10 JPMorgan lease form while you were there, correct?</p> <p>11 A. Yes.</p> <p>12 Q. Would you say that that was a lease form,</p> <p>13 based on your experience, that was favorable to trust</p> <p>14 beneficiaries?</p> <p>15 A. Absolutely.</p> <p>16 Q. Did you ever get pushback from oil companies</p> <p>17 about your lease form?</p> <p>18 A. All the time.</p> <p>19 Q. Okay. So you would say, based on your</p> <p>20 experience, it was a pro-lessor lease form?</p> <p>21 A. Absolutely. And I -- I'd like to add -- add</p> <p>22 that we formed a committee from both sides of the</p> <p>23 bank to review both banks, predecessor banks,</p> <p>24 JPMorgan and Bank One, lease forms and to come up</p> <p>25 with a -- a new recommended form that was the best of</p>	12:21	<p>1 been previously marked as Exhibit 798 in this case.</p> <p>2 And I believe this is a email chain that starts with</p> <p>3 an email from a Linda Merrill Haas to Patricia</p> <p>4 Ormond, dated September 8, 2006, who it appears is an</p> <p>5 STS beneficiary.</p> <p>6 A. Okay.</p> <p>7 Q. And then Ms. Ormond responds to her, and</p> <p>8 Mr. Crow then forwards that email on to you, and you</p> <p>9 forward that email -- or you respond back to</p> <p>10 Mr. Crow. Do you see that?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And do you see the email from</p> <p>13 Mr. Crow to yourself dated September 11, 2006?</p> <p>14 A. Yes.</p> <p>15 Q. He says, "Just wanted to share this email</p> <p>16 with both of you. It not only highlights the</p> <p>17 relationships that Patty's developing with her</p> <p>18 clients, it also highlights Patty's efforts to</p> <p>19 enhance the value of her clients' mineral assets.</p> <p>20 Patty can provide you with the specifics on what she</p> <p>21 has done to enhance the value of the South Texas</p> <p>22 Syndicate minerals if you want an example for your</p> <p>23 presentations."</p> <p>24 And then do you see your response there to</p> <p>25 Mr. Crow? At the very top of the page.</p>

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12:22	1	A. Okay.		1	a gap.
12:22	2	Q. "Thanks, Greg. John --"	12:25	2	MR. WILLIAMS: We're up to 866 exhibits.
12:22	3	A. Yes.	12:25	3	MR. CHRISTIAN: Okay. We've gone through
12:22	4	Q. "John Bailey has been asking for anecdotal		4	them fast.
	5	evidence of our efforts, and this is perfect. I'm	12:25	5	MR. WILLIAMS: No, I don't mean just from
	6	sure Paul will share it with you. Patty is doing a		6	you. Trust me, it wasn't fast. All right.
	7	great job."	12:25	7	(Exhibit 866 was marked.)
12:22	8	So those are your thoughts and observations	12:25	8	BY MR. WILLIAMS:
	9	about --	12:25	9	Q. All right, sir, I'm going to hand you what's
12:22	10	A. Yeah. We --		10	been marked Exhibit 866. I'm going to give you just
12:22	11	Q. -- Ms. Ormond in 2006?		11	a second to read through that email chain, then I'll
12:22	12	A. Paul was the head of Specialty Assets; John		12	ask you some questions about it.
	13	Bailey was a Specialty Asset marketing person, so	12:25	13	A. (Witness complies.) Okay.
	14	that -- At one time John worked in the real estate	12:26	14	Q. All right. This starts with an email from
	15	area, and then he was promoted and -- and was a sales		15	you to Patty Ormond on November 26, 2006. Do you see
	16	and marketing person, and so he was looking for		16	that?
	17	evidence of where value was added, and that's what	12:26	17	A. Yes.
	18	that's talking about.	12:26	18	Q. And the way I read this email, you're asking
12:22	19	Q. Okay. And so, in 2006, you considered that		19	Ms. Ormond to lead a discussion with the other
	20	Ms. Ormond's efforts on behalf of South Texas		20	property managers about her efforts on the South
	21	Syndicate Trust was an example where your department		21	Texas Syndicate. Is that --
	22	had added value?	12:26	22	A. Yes.
12:23	23	A. I think so, yes. And I -- I -- I can't tell	12:26	23	Q. -- the gist of it?
	24	you specifically, based on this, what it was, but	12:26	24	A. Uh-huh.
	25	certainly having her -- her discussion here -- and	12:26	25	Q. And can you explain to me what you were
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	1	I -- I've never seen this before, so I'd have to read		1	asking her to do?
	2	it to see what she's talking about. You know, I say	12:27	2	A. Well, this -- this had to do with the extra
	3	I've never seen it. It's been since 2006 and I --		3	effort that she had put into generating prospects
12:23	4	Q. Fair enough.		4	on -- on the South Texas Syndicate property and what
12:23	5	A. -- I'd have to read it to catch up on what		5	she had done to cause that to happen. And I
	6	it's saying. And she's talking about -- just reading		6	thought -- as I mentioned earlier, it's not normal
	7	it, about the royalty being key, and -- and I would		7	for a mineral management company to actually generate
	8	agree with that.		8	prospects that you present to oil companies for
12:23	9	Q. Well, and in her email back to Ms. Haas,		9	consideration to drill -- to lease and drill, and
	10	she's talking about the geophysicist, the fact that		10	that's what she was doing.
	11	she'd retained the geophysicist that you mentioned	12:27	11	So she had shared that with me on the phone,
	12	before, correct?		12	and -- and I was aware that that's what she was doing
12:23	13	A. Uh-huh, uh-huh.		13	and very impressed with that, and I thought it might
12:24	14	MR. WILLIAMS: I've been told that our next		14	be -- we were going to have a -- a staff meeting, and
	15	number is -- Do you know what our next number is? I		15	I thought it would be a -- a good opportunity for her
	16	was told that it was 849.		16	to demonstrate what she had been doing so that the
12:24	17	MR. CHRISTIAN: 866, I think.		17	others could -- could learn from it.
12:24	18	MR. WILLIAMS: Oh, really? I was told it	12:27	18	Q. Okay. And there was some -- Some of your
	19	was 846.		19	prior testimony was about JPMorgan having a booth at
12:24	20	MR. CHRISTIAN: I thought it was 866.		20	the NAPE expo in Houston in 2007 and 2008. Do you
12:24	21	MR. WILLIAMS: Should I go to 866, and we		21	recall that?
	22	may just --	12:28	22	A. Yes.
12:24	23	MR. CHRISTIAN: Yeah.	12:28	23	Q. And can you tell me just first, what is
12:24	24	MR. WILLIAMS: -- have a gap?		24	NAPE?
12:25	25	MR. CHRISTIAN: It's probably safer to have	12:28	25	A. It's -- I think it stands for North American

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<p>1 Petroleum Expo, and it was -- it was started on the 2 heels of the bust of the '80s by the American 3 Association of Petroleum Landmen, to bring together 4 in a central location, oil companies, big and medium 5 and small independents, that had prospects to drill. 6 And the intent was for others to come and -- and 7 perhaps negotiate a participation arrangement in that 8 particular prospect, and it was to bring them 9 altogether in a central location.</p> <p>12:29 10 Historically, companies and independents 11 would develop a prospect and they would go door to 12 door, showing, Here's our prospect and here's why we 13 like it and here are the terms to participate, and it 14 was very inefficient and very time consuming.</p> <p>12:29 15 So, they developed the NAPE format for all 16 of these independents. And it started out nowhere 17 near as big as it is today, and companies would bring 18 their prospects there, and potential buyers could 19 then walk around and look at them. And so, instead 20 of the prospect generator going around door to door 21 shopping, it was all in one place where interested 22 parties could go and look and perhaps negotiate a 23 participation arrangement.</p> <p>12:29 24 So, that -- that's how it started back in 25 the -- I'm going say the mid to late '80s and evolved</p>	<p>1 presented the STS opportunity at NAPE in 2007 and 2 2008, correct?</p> <p>12:31 3 A. I believe so.</p> <p>12:31 4 Q. All right. And so, what kind of exposure 5 did the South Texas Syndicate minerals receive by 6 having them presented at NAPE in 2007 and 2008?</p> <p>12:31 7 A. Oh, I think a lot of exposure, and it was 8 probably the No. 1 attraction, if you will, of our 9 booth that we had. That we had maps of acreage in 10 other areas, but for sure the -- the people that 11 stopped, the most had an interest in -- in Patty's 12 prospects that she had.</p> <p>12:32 13 Q. Okay. And when you say most, are we talking 14 about recognizable oil companies that would be there 15 looking at -- at different prospects?</p> <p>12:32 16 A. I -- I would say probably yes. I -- I don't 17 recall what companies stopped and talked to her about 18 the -- the prospects. But the -- the way it works at 19 NAPE is there -- there is actually a catalog of -- of 20 what's being presented, and so if you're looking for 21 shallow Kansas prospects, you can find them in there 22 and identify them and go look, or if you're looking 23 for South Texas prospects or Oklahoma prospects. So 24 I -- I imagine companies that were interested saw 25 that and came by, but I couldn't tell you who they</p>
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<p>1 to where it was -- it was the norm in the industry to 2 kind of participate from a -- Most of the time, it 3 was presenting prospects, and so it was very unusual 4 for the banks to go there with actual prospects 5 versus blocks of acreage in areas that -- that might 6 be heating up in -- or in -- just in Oklahoma or 7 Texas in general or Louisiana or New Mexico or 8 wherever the place might be.</p> <p>12:30 9 You know, it's possible -- I -- I'm not 10 there. It's possible, but there might have been the 11 Bakken play demonstrated at NAPE before it ever 12 kicked off, for example. Someone would have had to 13 have looked at that, and -- and there might be 14 somebody with the prospect demonstrating it.</p> <p>12:30 15 But -- but that -- that was what NAPE was 16 about, and because we had large -- not just 17 necessarily one account but holdings in many, many 18 places, we -- we wanted to be there. And then Patty 19 had actually generated, through her efforts with the 20 geophysicist, actual prospects for consideration to 21 drill. And so we -- Far as I know, the bank had not 22 supported a NAPE booth prior to that, that I'm aware, 23 and so we -- we went -- I wasn't there in 2007, but I 24 did go in 2008.</p> <p>12:31 25 Q. Okay. And to your knowledge, Patty Ormond</p>	<p>1 were.</p> <p>12:33 2 Q. Okay. And did she also have handouts 3 that -- that she was giving to people about the South 4 Texas Syndicate?</p> <p>12:33 5 A. I -- I think so. I -- I don't recall 6 directly, but I believe so.</p> <p>12:33 7 Q. Mr. Christian was asking you about the 8 Haynesville Shale, and you said you had an office in 9 Shreveport and a person there that would have -- had 10 some leasing experience. Would that have been Lynn 11 Stephens?</p> <p>12:33 12 A. Yes.</p> <p>12:33 13 Q. And so, when you would have these regular 14 mineral manager calls, would Lynn Stephens have 15 participated in those calls?</p> <p>12:33 16 A. Yes.</p> <p>12:33 17 Q. And as the senior manager and head of that 18 Shreveport office, would she have been one of the 19 persons to talk about pending deals, etc.?</p> <p>12:34 20 A. Yes.</p> <p>12:34 21 Q. Okay. And -- and I believe your testimony 22 was that you didn't -- you don't recall specifically 23 talking about these Petrohawk leases with Ms. Ormond, 24 correct?</p> <p>12:34 25 A. That's correct.</p>

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12:34	1 Q. But you're not saying that she didn't	12:38	1 MR. WILLIAMS: Okay. All right, sir. Thank
	2 discuss these leases on these calls, are you?		2 you. I'm going to pass the witness.
12:34	3 A. You know, when you -- when you're talking	12:38	3 THE WITNESS: Okay.
	4 about leases, she -- she might have mentioned that	12:38	4 MR. CHRISTIAN: All right. I've got a few
	5 she was -- just like it was evident from the NAPE		5 follow-ups. I will try not to keep you too terribly
	6 meeting she was trying to find companies interested		6 long.
	7 in those properties, and she probably discussed that	12:38	7 REDIRECT EXAMINATION
	8 on the call. I don't recall if she ever went into	12:38	8 BY MR. CHRISTIAN:
	9 specifics of the type of trades that she was working	12:38	9 Q. I believe you just testified that Patty was
	10 on.		10 promoted to senior mineral manager, but I'm not sure
12:35	11 Q. She may have; you just don't recall?		11 I got the approximate date that she was promoted. Do
12:35	12 A. That's correct.		12 you -- do you remember when that was?
12:35	13 Q. Okay. I mean, it's a lot of -- a lot of	12:38	13 A. I don't. I -- I would say it was about the
	14 deals being talked about by a lot of people on these		14 time -- and I don't know the date or the month, but
	15 calls, right?		15 it -- it was probably after Greg Crow left or towards
12:35	16 A. Right, right.		16 the -- the end of his time before leaving.
12:36	17 Q. Earlier in your testimony, there was some	12:39	17 Q. Do you know when Greg Crow left?
	18 discussion about whether a financial crisis might	12:39	18 A. No.
	19 have impact on leasing strategy. Do you remember	12:39	19 Q. Okay. There was discussion about manager
	20 that --		20 meetings and spreadsheets that were filled out in
12:36	21 A. Yes.		21 advance -- Or excuse me. There was discussion about
12:36	22 Q. -- discussion?		22 these call-in meetings, where the mineral management
12:36	23 Is there a relationship between commodity		23 group would endeavor to fill out spreadsheets in
	24 prices and leasing efforts and leasing transactions?		24 advance of the calls.
12:36	25 A. Not on our side. But on the oil company's	12:39	25 A. Uh-huh.
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	1 side, I'm sure it comes into play, because they're --	12:39	1 Q. Do you recall that?
	2 they're the ones that's spending the money to drill	12:39	2 A. Yes.
	3 the wells and to buy the leases. And so, if there is	12:39	3 Q. Did JPMorgan retain those spreadsheets?
	4 a -- a big drop in oil prices or in gas prices, then	12:39	4 A. I -- I don't know. Kev -- Kevin Smith may
	5 they're liable to pull in on their efforts and reduce		5 have the -- the information that was from those, but
	6 their budgets and that sort of thing, so that will		6 whether or not they were retained by -- by Bert or
	7 affect the number of offers that we're seeing and		7 even continued, I don't know.
	8 that sort of thing.	12:39	8 Q. Were these circulated to everyone via email?
12:37	9 So, from a perspective of, Are we going to	12:40	9 A. They -- they were actually, I believe, on
	10 see more or less leasing in the coming year, and the		10 a -- on a shared drive, that the separate offices
	11 effect on our clients, it -- it does factor in, but		11 could go in and input their individual information,
	12 it doesn't factor into whether we -- what we do or --		12 and that would upfeed to the senior property
	13 or not on a particular lease negotiation.		13 manager's sheet that would then upfeed to -- to me.
12:37	14 Q. Well, but doesn't it factor in on whether or		14 So you could drill down either on the office level or
	15 not a particular lease offer is a good offer?		15 the individual level.
12:37	16 A. Yes. And, you know, there are -- there are	12:40	16 Q. And when you would go to make a new
	17 those out there that, in those conditions, try to		17 spreadsheet, would you write over the old information
	18 make a lowball offer, and we -- we would rather wait,		18 or would you start with a new template?
	19 if that's the case. We -- we weren't -- I'm not	12:40	19 A. Man, that -- that's a good question. I -- I
	20 aware of any one-eighth royalty leases, for example.		20 think -- I think it was a new one for the month, but
	21 If somebody came to us with an offer that contained a		21 I think there was one that compiled it and so you
	22 one-eighth royalty in -- in certain areas, we		22 could look at month to month, but I -- it's been a
	23 wouldn't -- we wouldn't consider it and say, "I'm		23 long time. I don't really remember exactly how that
	24 sorry. We're -- we're not going to do it. We'll		24 worked.
	25 wait."	12:40	25 Q. Okay. I'm just trying to find out if

<p style="text-align: right;">Page 144</p> <p>1 there's any way that I might able to get my hands on 2 those spreadsheets. Do you know where they might be 3 kept? 12:41 4 A. No. 12:41 5 Q. Would they be in any particular person's 6 files, potentially? 12:41 7 A. Well, like I said, possible that -- that 8 Kevin or Bert would be the -- the two sources for 9 those. But I'm not even sure that they continued 10 those, and so they may have been lost since then. 12:41 11 I don't know. 12:41 12 Q. Do you know whether those were in effect 13 around May of 2008? 12:41 14 A. I do not. I don't know. 12:41 15 Q. And you were asked some questions about your 16 impressions of Ms. Ormond -- 12:41 17 A. Uh-huh. 12:41 18 Q. -- do you recall? 12:41 19 A. Yes. 12:41 20 Q. Do you consider Ms. Ormond a friend? 12:41 21 A. In a professional sense, yes. 12:41 22 Q. Do you have a professional relationship with 23 her today? 12:41 24 A. Not -- not on a regular basis, but from time 25 to time, I've reached out to her or had someone in</p>	<p style="text-align: right;">Page 146</p> <p>1 hindsight or second-guess her. I think at the time 2 she -- she did the best she could with what she was 3 doing. And so, if -- if I was to say I'm not here to 4 say she did a good or a bad job -- if you want to ask 5 me that, I can say I don't know, but I would say I 6 think she did a good job for South Texas Syndicate. 12:43 7 Q. Well, let me give you a few facts that you 8 may not be aware of -- 12:43 9 A. Okay. 12:43 10 Q. -- and then we'll reask the question. 12:44 11 You may not be aware of this, but Petrohawk, 12 when they were acquiring acreage down in the Eagle 13 Ford, they used a company called First Rock to go in 14 and covertly acquire acreage so Petrohawk's name 15 wouldn't be out there. Did you know that? 12:44 16 A. No. 12:44 17 Q. Now, for some reason, Petrohawk approached 18 Ms. Ormond directly in the spring of 2008 without 19 using First Rock. Did you know that? 12:44 20 A. I -- I don't know that she was approached by 21 First Rock or Petrohawk, how that worked. 12:44 22 Q. Well, that's why I'm telling you, because 23 I -- You know, if we're going to talk about whether 24 you think she did a good job, I want to give you some 25 of the facts. So you can assume that as a fact.</p>
<p style="text-align: right;">Page 145</p> <p>1 our office reach out to her if there was something 2 going on in South Texas area, that she was closer to 3 the area and maybe able to help us with, you know, 4 information since she's closer to the area, and -- 5 and we certainly have extended her an offer to do the 6 same with us. And so, on that type of basis, I -- I 7 have a relationship with -- with -- with Patty. 12:42 8 Q. And -- and I had asked you some questions 9 earlier, seeking to get your opinion on what may have 10 been done with regard to the STS Trust. You aren't 11 here to testify today one way or another with whether 12 Ms. Ormond acted prudently or imprudently with 13 respect to the Petrohawk leases that we've discussed 14 today, are you? 12:42 15 A. No. 12:42 16 Q. And you were also asked whether Ms. Ormond 17 was qualivied -- qualified to evaluate lease terms. 18 Do you recall that? 12:43 19 A. Yes. 12:43 20 Q. And you're not saying that in this instance, 21 with respect to the STS Trust, that Ms. Ormond did 22 either a good or bad job in negotiating the Petrohawk 23 or other lease terms that we've talked about today, 24 are you? 12:43 25 A. Well, I would say that, you know, I can't</p>	<p style="text-align: right;">Page 147</p> <p>12:44 1 And you can also assume that Petrohawk had 2 publicly announced, and it was well known within the 3 industry, that they were a shale player, okay? 12:44 4 A. Okay. 12:44 5 Q. Now, you can also assume that Petrohawk told 6 Ms. Ormond, when it approached her, that it had 7 900 million to spend and that it wanted every single 8 STS acre it could get its hands on. 12:45 9 A. Okay. 12:45 10 Q. Okay? So, in May of 2008, she leased out 11 25,000 acres, and then there were some new facts that 12 came to bear. Following that lease, she learned that 13 Petrohawk had withheld well data from her on the 14 first well, which would later turn out to be the 15 discovery well. Can you assume that? 12:45 16 A. I'm going -- going to go off you telling me 17 that's what happened. 12:45 18 Q. Okay. And the next fact is that she learned 19 that Petrohawk was not filing its well permits or 20 lease memos timely so it could keep its activities a 21 secret, okay? 12:45 22 Now, also assume that Petrohawk as Ms. -- 23 asked Ms. Ormond not to show its geologic information 24 to the geologists working on the STS Trust because it 25 was concerned he might be a competitor. Can you</p>

<p style="text-align: right;">Page 148</p> <p>1 assume that fact?</p> <p>12:46 2 A. Okay.</p> <p>12:46 3 Q. And assume that she then learned, after she</p> <p>4 had leased the 25,000 acres in May, that Petrohawk</p> <p>5 had used First Rock to acquire a bunch of additional</p> <p>6 Eagle Ford acreage, okay?</p> <p>12:46 7 A. Okay.</p> <p>12:46 8 Q. Now, knowing all of this and knowing that</p> <p>9 she then leased out the remaining 55,000 acres on</p> <p>10 essentially the same terms as the first 25,000, are</p> <p>11 you prepared to say that you think she did a good job</p> <p>12 in leasing out that remaining 55,000 acres?</p> <p>12:46 13 MR. WILLIAMS: Objection, form.</p> <p>12:46 14 A. I'll just go back to what I said earlier,</p> <p>15 that, you know, it's easy to sit here and</p> <p>16 second-guess those -- You can build a case on what</p> <p>17 you think she did or didn't do. I -- I'm really here</p> <p>18 to testify to facts, not my opinion, or to share my</p> <p>19 understanding, and if -- if -- That's as far as I</p> <p>20 want to go. I don't want to get into my opinion on</p> <p>21 things.</p> <p>12:47 22 Q. I think that's totally fair, but when</p> <p>23 Mr. Williams asked you about your opinion, I believe</p> <p>24 that you did have a favorable opinion of how she</p> <p>25 handled the leasing on the STS acreage with regard to</p>	<p style="text-align: right;">Page 150</p> <p>12:48 1 Q. Okay. But you don't have an opinion on</p> <p>2 whether her actual leases with Petrohawk were good,</p> <p>3 bad, or different, do you?</p> <p>12:48 4 A. That's correct. Because I've never -- I</p> <p>5 wasn't involved in it. I have never read one of</p> <p>6 them. I couldn't tell you if it was good or bad.</p> <p>12:49 7 Q. Okay. And a little further fact, let's</p> <p>8 assume that Petrohawk publicly announced a successful</p> <p>9 shale well on October 1st of 2008; and that</p> <p>10 immediately after that, Ms. Ormond signed a letter</p> <p>11 professing an intention to lease all of the remaining</p> <p>12 Petrohawk -- or excuse me -- all of the STS acreage</p> <p>13 to Petrohawk on substantially the same terms as the</p> <p>14 earlier leases that we discussed. And in fact, in</p> <p>15 addition to that, she agreed to extend the primary</p> <p>16 terms to five years, to combine drilling obligations</p> <p>17 on two separate leases so that 33,000 acres would be</p> <p>18 held by one set of continuous drilling obligations.</p> <p>19 You wouldn't have an opinion on whether that was good</p> <p>20 or bad, would you?</p> <p>12:49 21 MR. WILLIAMS: Objection, form.</p> <p>12:49 22 A. You know, the thing is, is I -- I would --</p> <p>23 first of all, I don't even want to get into where</p> <p>24 I'm -- my opinion on any of this matters. But if --</p> <p>25 if there's -- there's -- I've learned there's always</p>
<p style="text-align: right;">Page 149</p> <p>1 Petrohawk.</p> <p>12:47 2 A. Okay.</p> <p>12:47 3 Q. And now, I'm telling you some additional</p> <p>4 facts, and I want to know if you're willing to</p> <p>5 continue having a favorable opinion or whether you</p> <p>6 have no opinion.</p> <p>12:47 7 MR. WILLIAMS: Objection, form.</p> <p>12:47 8 A. I -- I think the -- the opinion only had to</p> <p>9 do with the amount of work that she put in to trying</p> <p>10 to create activity, of which I was aware, and the</p> <p>11 effort she -- she made. Because if -- if there were</p> <p>12 companies out there kicking down the door to lease</p> <p>13 these lands, that would have been evident, and I</p> <p>14 don't think that was the case. And so, she did all</p> <p>15 she could to create interest and activity, and that's</p> <p>16 why I say I think she -- she did a good job, and that</p> <p>17 was my opinion and impression.</p> <p>12:48 18 These other facts, I -- I would just have to</p> <p>19 consider those. I -- I'm not really prepared at this</p> <p>20 point to -- to make a -- a claim one way or the</p> <p>21 other.</p> <p>12:48 22 Q. Okay. So your -- your opinion right now is</p> <p>23 that she worked pretty hard to try and generate</p> <p>24 interest in the STS asset.</p> <p>12:48 25 A. Very hard.</p>	<p style="text-align: right;">Page 151</p> <p>1 two sides to a story, and I'm hearing your side to</p> <p>2 it, and I don't want to hear Patty's side to why she</p> <p>3 did those things, but I'm sure there's valid reasons</p> <p>4 for what she did.</p> <p>12:50 5 Q. But you don't know any of those reasons --</p> <p>12:50 6 A. I do not.</p> <p>12:50 7 Q. -- today?</p> <p>12:50 8 A. I do not.</p> <p>12:50 9 Q. Okay. And I completely understand that, and</p> <p>10 I don't want to sit here and, you know, go chapter</p> <p>11 and verse through this. But I wanted to make sure --</p> <p>12 because I thought I heard earlier that you had an</p> <p>13 opinion that was potentially favorable with regard to</p> <p>14 the Petrohawk leases. And -- and -- and that is not</p> <p>15 the case, is it?</p> <p>12:50 16 A. Well, like I said, I had an opinion on what</p> <p>17 all she had tried to do on behalf of South Texas</p> <p>18 Syndicate. As far as the specific leases, I've never</p> <p>19 read one of them. I've -- You know, I don't know</p> <p>20 enough about them to -- to say if it's a good lease</p> <p>21 or a bad lease. But I do know that her efforts on</p> <p>22 behalf of the South Texas Syndicate were above and</p> <p>23 beyond, in my opinion, on trying to create activity,</p> <p>24 and so that -- that's the basis of my opinion.</p> <p>12:51 25 Q. Okay. And you're also -- you're not here to</p>

Page 152	Page 154
<p>1 testify whether the lease extensions or amendments</p> <p>2 granted by Ms. Ormond or Mr. Tompkins that we</p> <p>3 discussed earlier are either good, bad, or</p> <p>4 indifferent, are you?</p> <p>12:51 5 A. I -- I'm not. I don't know anything about</p> <p>6 those. I -- I don't think it would be appropriate</p> <p>7 for me to comment or give opinion.</p> <p>12:51 8 Q. Now, there was some discussion about</p> <p>9 Ms. Ormond's effort to market the STS asset. And can</p> <p>10 you tell me what time frame you were talking about</p> <p>11 when you talk about her efforts to market the asset?</p> <p>12:51 12 A. I know in 2008 she was presenting it at</p> <p>13 NAPE, so I know that existed. It may go back even a</p> <p>14 full year.</p> <p>12:52 15 Q. What did --</p> <p>12:52 16 A. I would have ver -- I don't know that for a</p> <p>17 fact, but that would be my impression.</p> <p>12:52 18 Q. Would it surprise you to learn that</p> <p>19 Ms. Ormond never went to NAPE in order to</p> <p>20 specifically market Eagle Ford strata?</p> <p>12:52 21 A. That wouldn't surprise me. I think she was</p> <p>22 there to market -- If I recall, there were multiple</p> <p>23 formations that were potential, and possibly Eagle</p> <p>24 Ford was one of them. And I couldn't tell you the</p> <p>25 others, but I felt there was more than just one</p>	<p>1 a second. Do you recall when it was that the six or</p> <p>2 so senior mineral managers started talking, as</p> <p>3 opposed to the entire group, on those calls?</p> <p>12:54 4 A. No, I don't recall. It seemed like we grew</p> <p>5 as a department, and -- and it was just difficult</p> <p>6 to -- to have everybody contribute, and so that was a</p> <p>7 way to take less of their time so they could get back</p> <p>8 to work. But I don't recall when that -- when that</p> <p>9 happened.</p> <p>12:55 10 Q. Would the senior mineral managers discuss</p> <p>11 all of the goings-ons in their respective offices, as</p> <p>12 opposed to only talking about their particular</p> <p>13 assets?</p> <p>12:55 14 A. Like what?</p> <p>12:55 15 Q. Well, I -- You know, you've got six senior</p> <p>16 mineral managers, correct?</p> <p>12:55 17 A. Okay.</p> <p>12:55 18 Q. And then you've got, I guess, probably</p> <p>19 another 14 mineral managers.</p> <p>12:55 20 A. Right.</p> <p>12:55 21 Q. And when the six would speak, would they</p> <p>22 speak on behalf of the 14?</p> <p>12:55 23 A. Yes.</p> <p>12:55 24 Q. Okay. So they would basically talk about</p> <p>25 all of the accounts that JPMorgan's oil and gas group</p>
Page 153	Page 155
<p>1 formation, that there were several, from shallow, to</p> <p>2 medium, to deeper depths, and she was trying to get</p> <p>3 interest in -- in any and all of those.</p> <p>12:53 4 Q. And until I told you today, were you aware</p> <p>5 that she actually kept Petrohawk's ongoing leasing</p> <p>6 activity with regard to STS a secret?</p> <p>12:53 7 MR. WILLIAMS: Objection, form.</p> <p>12:53 8 A. Re -- What's your question again?</p> <p>12:53 9 Q. That she kept Petrohawk's leasing activity</p> <p>10 on the STS asset a secret until such time as the</p> <p>11 discovery well was announced in October of 2008.</p> <p>12:53 12 MR. WILLIAMS: Objection, form.</p> <p>12:53 13 A. And the question is: Would -- would that</p> <p>14 surprise me?</p> <p>12:53 15 Q. Yes.</p> <p>12:53 16 A. Or -- I'm -- I'm not aware that she did or</p> <p>17 she didn't, so.</p> <p>12:53 18 Q. Do you think it was prudent to keep</p> <p>19 Petrohawk's leasing activity a secret?</p> <p>12:53 20 MR. WILLIAMS: Objection, form.</p> <p>12:53 21 A. I'm going back to what -- what we were</p> <p>22 talking about earlier. I don't know all the -- all</p> <p>23 the facts on why that was done or not done.</p> <p>12:54 24 Q. I think we talked a bit about the mineral</p> <p>25 management calls, and I wanted to return to that for</p>	<p>1 was handling?</p> <p>12:55 2 A. Yes.</p> <p>12:55 3 Q. Okay.</p> <p>12:55 4 A. I think they would, you know, identify</p> <p>5 anything that -- that would be, you know, something</p> <p>6 they wanted to highlight. Again, there's a lot of</p> <p>7 activity. I believe there were anywhere from around</p> <p>8 approximately 800 leases a year granted, that many of</p> <p>9 those were -- were small, and so they weren't going</p> <p>10 to talk about every single lease that was done on</p> <p>11 that call.</p> <p>12:56 12 Q. Now, we talked a bit also about JPMorgan's</p> <p>13 standard lease form. And I think you testified</p> <p>14 earlier that there was no standard royalty rate</p> <p>15 included in that form, right?</p> <p>12:56 16 A. Yes.</p> <p>12:56 17 Q. And is it true that there are also no</p> <p>18 specific continuous drilling obligation clauses</p> <p>19 included in that form?</p> <p>12:56 20 A. I think there is -- I would have to go back</p> <p>21 and look at the form, but I think there was a -- a</p> <p>22 Pugh clause and a depth clause and a clause that as</p> <p>23 long as there was continuous drilling, that the lease</p> <p>24 was continued to be held in that lease. But I'd just</p> <p>25 have to go back and -- and look at it to confirm</p>

1 that. But I believe that there was a provision in it
 2 that provided at the end of the primary term, if they
 3 were drilling the well, they could continue to hold
 4 the lease.
 12:57 5 Q. And do you recall the frequency of the
 6 continuous drilling obligation or whether there was
 7 one in the JPMorgan standard lease form?
 12:57 8 A. I think there was one. I don't recall
 9 the -- whether it was a 120, 150, 180 days, what it
 10 was.
 12:57 11 Q. You don't recall?
 12:57 12 A. I do not.
 12:57 13 Q. And was there a standard primary term in
 14 JPMorgan's lease form?
 12:57 15 A. I think that the -- the primary term, the
 16 bonus, the royalty, those were all negotiable items.
 17 But to my knowledge, leases were not granted for more
 18 than three years.
 12:58 19 Q. Okay. There was also some discussion about
 20 the 2007 and 2008 financial crisis. Do you recall
 21 that?
 12:58 22 A. Yes.
 12:58 23 Q. Do you know whether oil companies actually
 24 pulled back during 2008?
 12:58 25 A. Not without going back and looking at it.

1 But my -- my general feel is that oil and gas
 2 continued to -- to do well.
 3 MR. CHRISTIAN: Okay. That's all I have.
 4 MR. WILLIAMS: Nothing further, sir. Thank
 5 you.
 6 MR. CHRISTIAN: Thanks so much for coming
 7 in.
 8 MS. ROBERTS: This concludes the deposition
 9 at 12:58 p.m.
 10 MR. WILLIAMS: I think we just want the
 11 e-Trans.
 12 MR. CHRISTIAN: We just get the e-Tran.
 13 THE REPORTER: How about the exhibits? Do
 14 you scan those?
 15 MR. CHRISTIAN: Yeah.
 16 MR. WILLIAMS: The scanned exhibits.
 17 THE REPORTER: Scanned? Okay.
 18 MR. CHRISTIAN: And could I get a rough,
 19 too?
 20 MR. WILLIAMS: I'd like a rough, too.
 21
 22
 23
 24
 25

1 (Consolidated Under)
 CAUSE NO. 2010-CI-10977
 2
 3 JOHN K. MEYER, ET AL., § IN THE DISTRICT COURT
 4 §
 Plaintiffs, §
 5 §
 -vs- §
 §
 6 JP MORGAN CHASE BANK, N.A., §
 INDIVIDUALLY/CORPORATELY § 225th JUDICIAL DISTRICT
 7 AND AS TRUSTEE OF THE SOUTH §
 TEXAS SYNDICATE TRUST and §
 8 GARY P. AYMES, §
 §
 9 Defendants. § BEXAR COUNTY, TEXAS
 10 REPORTER'S CERTIFICATION
 ORAL DEPOSITION OF DAVID HERFORD
 FEBRUARY 14, 2014
 11 I, Kimi George, Certified Shorthand Reporter in
 12 and for the State of Oklahoma hereby certify to the
 13 following:
 14 That the witness, DAVID HERFORD, was duly sworn
 15 by the officer and that the transcript of the oral
 deposition is a true record of the testimony given by
 the witness;
 16 That the deposition transcript was submitted on
 the ____ day of February, 2014, to the witness for
 examination, signature and return to Kimi George by
 17 the ____ day of ____, 2014;
 18 That the amount of time used by each party
 at the deposition is as follows:
 19 Mr. Michael S. Christian: 128 minutes used;
 20 Mr. David Jed Williams: 51 minutes used.
 21 That pursuant to the information given to the
 deposition officer at the time said testimony was
 22 taken, the following includes counsel for all parties
 of record:
 23
 24
 25

1 MR. MICHAEL S. CHRISTIAN
 ZELLE HOFMANN VOELBEL & MASON LLP
 2 44 Montgomery Street, Suite 3400
 San Francisco, California 94104
 3 415/693-0700
 mchristian@zelle.com
 4
 5 MR. DAVID JED WILLIAMS
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 GARZA, INC.
 6 7373 Broadway
 Suite 300
 7 San Antonio, Texas 78209
 210/271-1731
 8 jwilliams@hsfblaw.com
 9 I further certify that I am neither counsel for,
 related to, nor employed by any of the parties or
 10 attorneys in the action in which this proceeding was
 taken, and further that I am not financially or
 11 otherwise interested in the outcome of the action.
 12 Further certification requirements pursuant to
 Rule 203 of TRCP will be certified to after they have
 13 occurred.
 14 Certified to by me this ____ day of February,
 2014.
 15
 16
 17
 Kimi George, CSR, RMR
 Certificate No. 335
 Expiration Date: 12-31-14
 18 Atkinson-Baker, Inc.
 Firm Registration No. 32
 19 500 North Brand Boulevard
 Third Floor
 20 Glendale, CA 91203-1945
 Phone: 1-800-288-3376
 21 Expiration Date: 12-31-14
 22
 23
 24
 25



1 FURTHER CERTIFICATION UNDER RULE 203 TRCP
2 DAVID HERFORD
3 February 14, 2014
4 The original was/was not returned to the
deposition officer on _____, 2014;
5 If returned, the attached changes and signature
6 page contains any changes and the reasons therefor;
7 If returned, the original deposition was
8 delivered to Mr. Michael S. Christian, custodial
9 attorney;
10 That \$ _____ is the deposition officer's charges
11 to Plaintiff for preparing the original deposition
12 transcript and any copies of exhibits;
13 That the deposition was delivered in accordance
14 with Rule 203.3, and that a copy of this certificate
15 was served on all parties shown herein and filed with
16 the Clerk.
17 Certified to by me this _____ day of February,
18 2014.
19
20
21
22
23
24
25

Kimi George, CSR, RMR
Certificate No. 335
Expiration Date: 12-31-14
Atkinson-Baker
Firm Registration No. 32
500 North Brand Boulevard
Third Floor
Glendale, CA 91203-1945
Phone: 1-800-288-3376
Expiration Date: 12-31-14

128

NO. 2006-01984

MOSH HOLDING, L.P., *et al.*

Plaintiff,

V.

PIONEER NATURAL RESOURCES
COMPANY, *et al.*

Defendants

§
§
§
§
§
§
§
§
§
§

IN THE DISTRICT COURT OF

HARRIS COUNTY, TEXAS

334TH JUDICIAL DISTRICT

FILED
JAN 25 PM 4:23
32509

**PLAINTIFF'S FOURTH AMENDED ORIGINAL PETITION, APPLICATION FOR
TEMPORARY RESTRAINING ORDER, TEMPORARY INJUNCTION, SHOW CAUSE
ORDER, AND PERMANENT INJUNCTION**

A. DISCOVERY CONTROL PLAN.

1. Plaintiff, MOSH Holding, L.P., Individually and for all unit holders as authorized by the Trust Fund Doctrine and JPMorgan, intends to conduct discovery under Level 3 of Texas Rule of Civil Procedure 190.

B. THE PARTIES.

2. Plaintiff, MOSH Holding, L.P. ("MOSH Holding"), Individually and for all unit holders as authorized by the Trust Fund Doctrine and JPMorgan, is a Texas limited partnership with its address at 9 Greenway Plaza, Suite 3040, Houston, Texas 77046.

3. Plaintiff-Intervenor Dagger Spine Hedgehog Corporation is a Texas corporation with its address at 5949 Sherry Lane, Suite 850, Dallas, Texas 75225.

4. Defendant Pioneer Natural Resources Company ("PNRC") is a Delaware corporation doing business in the State of Texas which has appeared and answered and may be served by serving

RECORDER'S MEMORANDUM
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at the time of imaging

its attorney in accordance with the Texas Rules of Civil Procedure. PNRC is sued individually and as general partner of Mesa Offshore Royalty Partnership, a Texas general partnership.

5. Defendant Pioneer Natural Resources USA, Inc. ("PNR") is a wholly owned subsidiary of PNRC. PNR is a Delaware corporation doing business in the State of Texas with its principal executive office located at 5205 N. O'Connor Blvd., Suite 900, Irving, Texas 75039. PNR has appeared and answered and may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure. PNR is sued individually and as general partner of Mesa Offshore Royalty Partnership, a Texas general partnership.

6. Defendant Woodside Energy (USA) Inc. ("Woodside") is a Delaware corporation doing business in the State of Texas. Woodside has appeared and answered any may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure.

7. Defendant JPMorgan Chase Bank, NA, individually and as Trustee and as a General Partner of the Mesa Offshore Trust ("JPMorgan"), is a Delaware corporation doing business in the State of Texas. JPMorgan is the Trustee of the Mesa Offshore Trust (the "Trust"), a grantor trust created under the laws of the State of Texas. The principal place of business of JPMorgan for administration of the Trust is 700 Lavaca, Austin, Texas 78701. JPMorgan has appeared and may be served by serving its attorney in accordance with the Texas Rules of Civil Procedure.

8. Mesa Offshore Royalty Partnership ("Partnership") is a general partnership organized under the laws of Texas, with its principal place of business in Texas.

C. VENUE AND JURISDICTION.

9. Plaintiffs are beneficiaries of the Trust. They bring this action pursuant to the Texas Trust Code for determinations of fact affecting the administration, distribution, and duration of the Trust and for determination of questions arising in the administration and distribution of the Trust. Tex. Prop. Code § 115.001 (Vernon 1995 & Supp. 2004).

10. The Court has jurisdiction over this controversy, because a District Court has original and exclusive jurisdiction over all proceedings concerning trusts organized under the Texas Trust Code. Tex. Prop. Code § 115.001 (Vernon Supp. 2004).

11. Venue is proper in Harris County, Texas, because this matter was transferred from Travis County with the consent of all parties.

D. THE FACTS.

PNRC, PNR, THE TRUST, AND THE PARTNERSHIP.

12. On August 7, 1997, PNRC merged with Mesa Petroleum Co. ("Mesa"). As successor in interest to Mesa, PNRC or PNR owns and operates working interests (the "Subject Interests") in certain producing and nonproducing oil and gas leases located offshore Louisiana and Texas. PNRC and PNR are referred to herein alternatively or in the aggregate as "Pioneer."

13. In 1982 certain overriding royalty interests (the "Overriding Royalty Interest") were carved out of the Subject Interests and conveyed to the Mesa Offshore Royalty Partnership (the "Partnership"), a Texas general partnership, via a written document entitled Overriding Royalty Conveyance (the "Conveyance").

14. The Partnership has two general partners, JPMorgan, the Trustee of the Trust, which has a 99.99 per cent (99.99%) interest in the Partnership, and Pioneer, who is the managing general

partner and has the remaining 0.01 per cent (0.01%) interest. The Partnership was formed in 1982 for the purpose of receiving and holding title to the Overriding Royalty Interest, receiving the proceeds from the Overriding Royalty Interest, paying the liabilities and expenses of the Partnership, and disbursing remaining revenues to Pioneer (then Mesa) and the Trustee. The Partnership is governed by First Amended and Restated Articles of General Partnership dated as of December 1, 1982, as amended to date (the "Partnership Agreement"). The purposes of the Trust are to protect and conserve, for the benefit of the Certificate Holders, the Trust Estate; to receive the Trust's share of any distributions from the Partnership; and to pay, or provide for the payment of, any liabilities incurred in carrying out the purposes of the Trust, and thereafter to distribute the remaining amounts of cash received by the Trust pro rata to the Certificate Holders. The Trust is governed by the Royalty Trust Indenture, dated as of December 1, 1982, as amended to date (the "Trust Indenture"), and the Trust is required to file periodic reports with the Securities and Exchange Commission ("SEC"), under the Securities Exchange Act of 1934 ("Exchange Act"), including annual reports on Form 10-K ("10-K's") and Quarterly Reports on Form 10-Q ("10-Qs").

15. On December 28, 1982, pursuant to the plan described in the Proxy Statement which successfully solicited the approval of Mesa's shareholders, units of beneficial interest ("units") in the Trust were issued to Mesa shareholders, who received one unit for each share of Mesa common stock held. The units are traded on the OTC Bulletin Board under ticker symbol MOSH. At March 28, 2005, there were 71,980,216 units outstanding held by 12,005 unitholders of record. MOSH Holding currently owns 7,332,887 units which constitute approximately 10% of the outstanding units in the Trust.

TERMS OF THE CONVEYANCE OF THE OVERRIDING ROYALTY INTEREST.

a. Calculation of Payments to the Partnership.

16. Pursuant to the instrument conveying the Overriding Royalty Interest to the Partnership (the “Conveyance”), the Partnership is entitled to ninety per cent (90%) of the net proceeds, as defined, from the sale of Pioneer’s share of minerals covered by the Overriding Royalty Interest (the “Net Proceeds”). Net Proceeds are defined as (i) the amount received by Pioneer from the sale of its share of minerals covered by the Overriding Royalty Interest (the “Gross Proceeds”) less (ii) the costs incurred by Pioneer in operating the Subject Interests, including capital costs (the “Costs”), and the Monthly Abandonment Accrual, as defined.

17. If the Costs plus the Monthly Abandonment Accrual exceed Gross Proceeds for any month, the excess plus interest will be deducted from future Gross Proceeds prior to making any further payments to the Partnership.

18. The Monthly Abandonment Accrual is a sum withheld by Pioneer each month to provide for the payment of future abandonment costs related to the Subject Interests. It is calculated pursuant to a formula set forth in the Conveyance. It is a function of, among other things, Pioneer’s estimate of abandonment costs; prior Monthly Abandonment Accruals; Gross Proceeds for the given month; and estimated future Gross Proceeds based on the latest available reserve engineering report prepared using applicable SEC guidelines. As of the date of this petition, abandonment costs for the Subject Interests have, according to Pioneer, exceeded the Monthly Abandonment Accruals by approximately \$1.4 million.

19. At the time of complete abandonment of all the Subject Interests, the excess, if any, of the total Monthly Abandonment Accruals over the actual abandonment costs incurred is to be included in Gross Proceeds.

b. Pioneer's Duties To Operate the Subject Interests,

20. Pursuant to the Conveyance, Pioneer is required to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. Pioneer has the right to abandon any well or lease if, in its opinion, such well or lease ceases to produce or is not capable of producing oil, gas, or other minerals in commercial quantities. Pioneer is required to market the production on terms it deems to be the best reasonably obtainable in the circumstances.

21. Pioneer may, but is not required to, develop the Subject Interests. If Pioneer does develop the Subject Interests, it must front the Costs of such development, which Costs it is entitled to recoup prior to paying any additional Net Proceeds to the Partnership. Once those Costs have been recouped, however, the Partnership is entitled to receive ninety per cent (90%) of the Net Proceeds from any remaining production.

22. Pioneer may, in its discretion, enter into farmout agreements with Non-Affiliates (as defined) to transfer all or any undivided or segregated part of the Subject Interests for the sole consideration that the transferee will explore or develop the Subject Interests that are, or are to be, transferred pursuant to such agreement.

23. The Conveyance defines an Affiliate as any person controlling, controlled by, or under common control with another person. Control means the possession, directly or indirectly, of

the power to direct or cause the direction of management and policies of another, whether through the ownership of voting securities, by contract or otherwise.

24. By entering into such a Farmout Agreement with a Non-Affiliate, Pioneer has the right and the option, but not the obligation, to assign any portion of the Subject Interests which Pioneer has made subject to such Farmout Agreement, free and clear of the Overriding Royalty Interest. All other assignments of the Subject Interests are required to be made subject to the Overriding Royalty Interest.

EVENTS THAT WOULD REQUIRE TERMINATION OF THE TRUST.

25. The Trust Indenture provides that the Trustee will be obligated to sell the assets of the Trust if the total amount of cash per year received by the Trust falls below certain levels for each of three consecutive years. More specifically, the Trustee must sell the Trust's interest in the Partnership or cause the Partnership to sell the Overriding Royalty Interest when the total amount of cash received per year by the Trust for each of three consecutive years is less than ten times the total amount payable to the Trustee as compensation on average for each year during such three-year period (the "Termination Threshold").

WRONGFUL CONDUCT OF PIONEER AND WOODSIDE.

26. Beginning in 1997, when it seized control of Mesa, Pioneer has engaged in, and continues to engage in, a systematic plan to conceal the value of certain of the Subject Interests, to terminate the Trust prematurely, and to capture profits that rightfully belong to the Trust for itself with respect to Brazos Block A-39 and for Woodside, its co-conspirator.

27. On January 20, 2003, PNR and Woodside contemporaneously entered into an agreement which was artificially divided into two or more documents, one of which was entitled

"Farmout Agreement" (the "Farmout Agreement"). Pursuant to the Farmout Agreement, PNR allegedly "farmed out" to Woodside the right to drill on two leases burdened by the Overriding Royalty Interest, one lease (the "Samoa Prospect") which covers the South Half of Brazos Area Block, A-7 and a second lease (the "Midway Prospect") which covers the South Half of Brazos Area Block A-39 ("Block A-39"). As is stated in the so-called Farmout Agreement, when the Overriding Royalty Interest was created, it only burdened 50% of the working interests in the Samoa Prospect and the Midway Prospect (collectively, the "Prospects"). That was because Mesa only owned a 50% working interest in each Prospect at the time it created the Overriding Royalty Interest. On a subsequent date, PNR acquired the other 50% interest in each of the Prospects. Consequently, at the time the alleged Farmout Agreement was entered into, PNR owned an undivided 100% of the working interests in each Prospect, subject to the Overriding Royalty Interest of 45% of the Net Proceeds.

28. During 2003, the last of the producing wells on Block A-39 was sputtering. It would die completely in early 2004. Pioneer knew that once the well died, the Minerals Management Service ("MMS"), the agency acting for the United States, lessor of the underlying properties in Block A-39, would issue a notice to PNR stating that it would terminate the lease for Block A-39 unless further drilling was commenced thereon within 180 days of cessation of production. Consequently, PNR was required to drill a well on Block A-39 or lose the lease.

29. Pursuant to the alleged Farmout Agreement, Woodside allegedly acquired a "farm-in" of fifty percent (50%) of PNR's working interest in the two Prospects that were burdened by the Overriding Royalty Interest. Prior to entering into the alleged Farmout Agreement, PNR would have been responsible for financing 100% of the costs of drilling any well on the Prospects. Pioneer's

working interest was also burdened by a $1/6^{\text{th}}$ or 16.6666% non-cost bearing royalty interest in favor of the United States. Consequently, PNR would have been entitled to keep 45.832% of the proceeds from a well before the “farmout.” Pursuant to the alleged Farmout Agreement, upon the completion of a test well on either Prospect, Woodside would earn a 50% working interest in such Prospect (the “Earned Interest”). The Earned Interest was subject to a 10% non-cost-bearing overriding royalty interest, increasing to a 12.5% non-cost-bearing overriding royalty interest upon Payout (as defined in the alleged Farmout Agreement) in favor of the Partnership. Consequently, by entering into the alleged Farmout Agreement, PNR reduced its costs for drilling from 100% to 50% but only reduced its net revenue interest from 45.832% to 42.1667% before “equalization.” On the other hand, the Partnership’s, and therefore the Trust’s, net revenue interest in the Prospects was reduced from 37.4994% (90% of 41.6667%) to 4.5%.

30. The sole reason for entering into the alleged Farmout Agreement was to enrich PNR and Woodside at the expense of the Trust.

31. On January 20, 2003, contemporaneously with the alleged Farmout Agreement, PNR and Woodside also entered into an Offshore Operating Agreement (the “Operating Agreement”) governing the operations on the Midway Prospect.

32. Contemporaneously with the execution of the alleged Farmout Agreement and the Operating Agreement, PNR and Woodside executed an Exploration Agreement (the “Exploration Agreement”) (together with the Farmout Agreement and the Operating Agreement, the “Woodside Agreements”). The Exploration Agreement specifically references the execution and delivery of the Farmout Agreement and the Operating Agreement and provides that in the event of any conflict between the Farmout Agreement and the Exploration Agreement, or between the Operating

Agreement and the Exploration Agreement, the terms of the Exploration Agreement shall control and govern the point in conflict. Section 6(b) of the Exploration Agreement provides in part:

Pioneer owns an undivided fifty percent (50%) working interest in the two (2) Farmout Leases described in this Section 6 [the Midway Prospect and the Samoa Prospect], which are unburdened except for the lessor's reserved royalty, and the undivided fifty percent (50%) working interest to be earned by Woodside under the terms of the Farmout Agreement described herein which is burdened by an overriding royalty interest in favor of Mesa Offshore Royalty Partnership. Pioneer and Woodside hereby agree to pool their respective working and net revenue interest under the Offshore Operating Agreement governing each of the Farmout Leases so as to jointly share the benefits of Pioneer's unburdened fifty percent (50%) working interest in the Farmout Leases described in this Section 6(b) and the burdened fifty percent (50%) working interest to be earned by Woodside under the terms of the Farmout Agreements thereby equalizing the net revenue interests between the Parties. As a result of this contractual pooling and equalization, the working interest and net revenue interest of the Parties for the Farmout Leases will be as follows:

33. Under the alleged Farmout Agreement considered alone, PNR had a net revenue interest in the Unburdened Interest in the Midway Prospect of 42.166% (before Payout) and Woodside had a net revenue interest in the Midway Prospect of 36.6667%. However, as part of a unitary transaction, the Woodside Agreements combine to reduce PNR's net revenue interest in the Midway Prospect from 42.166% to 39.4165% and to increase Woodside's net revenue interest in the Midway prospect from 36.6667% to 39.4165%. Consequently, the effect of the combined provisions of the Woodside Agreements is that PNR farmed out 50% of these Subject Interests to itself and 50% to Woodside.

34. When the Woodside Agreements are read together, as required by law, the conveyance to Woodside utterly fails to meet the definition of "Farmout" contained in the Conveyance. Because PNR assigned half of the Subject Interest to itself, the alleged Farmout Agreement should be held to be ineffective at transferring any interest to either PNR or Woodside

free and clear of the Overriding Royalty Interest. Therefore, the Partnership, and consequently the Trust, should continue to own 90% of the Net Proceeds attributable to PNR's 83.3334% net revenue interest in the Subject Interests (a 37.4994% net revenue interest in the Midway Prospect). In addition, the Woodside Agreements provide \$15 million in cash consideration and involved a commitment to participate in eight exploratory wells. The alleged "Farmout" was not a farmout as defined by the Conveyance.

35. Pioneer and Woodside were aware the Farmout Agreement was a sham as industry practice would show that the transaction between Woodside and Pioneer was not a farmout. The Manual of Oil & Gas Terms, by Williams and Meyers, contains the oil & gas industry's definition of a farmout agreement. It defines a farmout agreement as follows:

A very common form of agreement between operators, whereby a lease owner not desirous of drilling at the time agrees to assign the lease, or some portion of it (in common or in severalty) to another operator who is desirous of drilling the tract. The assignor in such a deal may or may not retain an overriding royalty or production payment. The primary characteristic of the farm out is the obligation of the assignee to drill one or more wells on the assigned acreage as a prerequisite to completion of the transfer to him.

36. Therefore, not only did the Woodside Agreements not conform to the definition of Farmout used in the Conveyance, but also those agreements did not conform to the common industry understanding of farmout. The industry understanding of a farmout is that the lease owner, for whatever reason, does not want to drill on the lease and therefore "farms out" that right to a third party. Manifestly, PNR very much wanted to drill wells on the Prospects and needed to drill on the Midway Prospect or lose its lease. PNR just did not want to pay the Overriding Royalty Interest. Pioneer's goal in bringing in Woodside was to attempt to fraudulently evade the prohibition in the

Conveyance against a Farmout to itself by the device of a sham "Farmout Agreement" with Woodside.

37. The Operating Agreement designated PNR as the operator of the Prospects and therefore PNR was in charge of the drilling operations on the Prospects. In order for the alleged Farmout to comply with the terms of the Conveyance, the only consideration for the Farmout must be "the agreement by the farmee to explore or develop the Subject Interests which are, or are to be, transferred to the farmee." Woodside, the "farmee" under the alleged Farmout Agreement, did not explore or develop the Subject Interests, PNR did. In addition, Woodside paid PNR cash for an interest in the Prospects and agreed to drill six additional wells. The only reason it was styled as a "farmout" was to perpetrate a fraud and a sham at the expense of the Trust.

(B) PIONEER HAS WRONGFULLY DELAYED PRODUCING MIDWAY PROSPECT.

38. Pursuant to Section 6.01 of the Conveyance, PNR is required to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. PNR's operation of the Midway Prospect following the drilling of the well thereon violated PNR's obligation under Section 6.01 of the Conveyance. PNR's conduct was designed to benefit itself at the expense of the Trust.

39. The exploratory well on the Samoa Prospect was drilled first. It was determined to be a dry hole and was, accordingly, plugged and abandoned.

40. Drilling of the Midway Prospect was commenced in September 2003. In a February 2, 2004, news release, Pioneer stated that the Midway Prospect was drilled to a total measured depth of 20,496 feet; that the well encountered 30 feet of net gas pay; and that the well also encountered three

other intervals with an additional 60 feet of gas bearing sands. Although the equipment necessary to do a flow test on the well was on site, PNR either did not do or did not report such a test.

41. Nor did PNR act as a prudent operator to get the well producing within a reasonable amount of time. Rather, in its February 2, 2004, news release, Pioneer announced that the well would be temporarily abandoned following installation of a production liner. Pioneer further stated that the well was expected to be tied back to the existing production platform on Block A-39 with first production anticipated during the second half of 2004. Notwithstanding this discovery, the Trust's Form 10-K for the year ended December 31, 2003 filed with the SEC approximately two months following the February 2, 2004, press release (the "2003 10-K") specifically stated that "even if the discovery is deemed to be commercially viable and is developed, it is currently expected that any Royalty income generated from this prospect will not be received in time to eliminate the deficit balance and to increase Royalty income above the Threshold Amount before the Indenture requires termination of the Trust." The 2004 10-K states that first production from this well is now expected to commence in the fourth quarter of 2005, almost two years after Pioneer's announcement of the successful drilling of such well.

42. On or about October 25, 2004, PNR filed a permit application for a pipeline to transport bulk gas from the Midway Prospect. The application was for a small diameter pipeline 16,300 feet long. The pipeline could and should have been constructed to tie back to PNR's existing platform on Block A-39, which is connected to an existing major pipeline and is only 7,000 feet from the Midway Prospect. In PNR's application, however, the proposed route of the pipeline is through Brazos Area Block A-51 to Brazos Area Block A-52. In filing this application, PNR clearly was signaling that the Block A-39 would have very modest production.

43. The 2004 10-K of PNR reports that a production test on the Midway Prospect was finally conducted during the first quarter of 2005, a full year after completion of such well.

44. Upon an initial review of the logs from the Midway Prospect, a prudent operator of the Block A-39 would have immediately tested the Midway Prospect in February 2004, placed it on production by May 2004 at the latest, and promptly commenced the drilling of additional wells on such block beginning in January 2005. PNR did not drill such additional wells because the Partnership, and, therefore, the Trust, would have been entitled to the Net Proceeds from such wells. PNR and Woodside apparently intended to sit on the results of the Midway Prospect until the Trust was terminated, and the Overriding Royalty Interest was sold.

WRONGFUL CONDUCT OF JP MORGAN, INDIVIDUALLY, AS TRUSTEE, AND AS A GENERAL

PARTNER

45. At all times JP Morgan, individually and as Trustee, was and remains a General Partner of the Partnership. The actions of Pioneer, also a general partner in the Partnership, are effectively therefore the actions of the Trustee. Because Pioneer transferred trust assets to itself as alleged above, JP Morgan is a participant in and responsible for this action both individually, as trustee, and as a General Partner. Paragraph 5.01 of the Partnership Agreement provides that "When requested by the Trustee, the Managing General Partner shall take appropriate action to enforce the terms of the Conveyance." JP Morgan, as Trustee, could oppose the actions of Pioneer but has not. Transfer of trust assets to a partner, associate or affiliate of the Trustee JP Morgan is self-dealing and a breach of the duty of loyalty and care. Such action is specifically prohibited by Section 113.053 of the Texas Trust Code and this liability cannot be removed or limited by any trust instrument.

46. Since at least December 16, 2003, JP Morgan has been the lead bank for Pioneer on a credit facility in excess of \$1 billion. This credit facility was renewed on September 30, 2005, under an Amended and Restated 5-Year Revolving Credit Agreement (the "New Credit Facility"). Under these credit facilities, JP Morgan is the "Administrative Agent." It receives millions of dollars in fees from Pioneer. At the time, JP Morgan had been sued by MOSH Holding within this action and had been requested to take action against Pioneer prior to such renewal. JP Morgan, however, entered into releases and indemnities with Pioneer in derogation of its duties as Trustee. This very lawsuit was listed as a possible Material Adverse Event under the credit facility. JP Morgan thus did due diligence in connection with this lawsuit and had a vested interest in insuring this lawsuit did not go forward so as to increase the likelihood of having its loans repaid. Furthermore, in connection with the Trust, which is required to file periodic reports under the Exchange Act, JP Morgan has relied upon Pioneer to provide it information to make its securities filings with the SEC. JP Morgan, however, never disclosed that it is the lead lender to Pioneer and receives millions of dollars in payments from Pioneer. Such failure to disclose is an omission to state a material fact which would be necessary in order to make the securities filings accurate. In numerous other ways JP Morgan has not administered the Trust with loyalty and with due care, and is thus liable both individually, as trustee, and as a General Partner. For example, it did not required independent reserve engineers to evaluate the reserves associated with the Overriding Royalty Interest and did not obtain the Farmout Agreement which is the subject of this lawsuit until the suit itself was initiated. By reason of all of these activities JP Morgan has engaged in self-dealing and breach of fiduciary duty. Furthermore, such conduct is associated with fraud, acts or omissions in bad faith and gross negligence.

47. Since the filing of this Lawsuit, JPMorgan has known of the pendency of this action and its loan relationship with Pioneer. Its interests as a Lender conflict with its interests as a Trustee in numerous ways. The New Credit Facility has releases and indemnities and other limitations which may be asserted to limit its ability to pursue claims on behalf of the Trust. As a possible Material Adverse Event, successful prosecution of the Lawsuit by the Trustee will impact JPMorgan's ability to be paid on its loan. On information and belief, Pioneer has actively manipulated accounting and the production of Block A-39 to suppress income and allegedly cause early termination of the Trust. As its lender, JPMorgan has agreed and conspired with Pioneer to cause early termination. Additionally, JPMorgan now admits MOSH Holding's claims regarding the farmout merit adjudication, but JPMorgan sought to resign since its conflict (always known to JPMorgan) has been raised by Plaintiff. Having done nothing to pursue the Trust claims in the termination period, JPMorgan has additionally harmed the Trust during the pendency of this Lawsuit by its refusal to act.

No trust company will voluntarily agree to be successor trustee given this litigation. JPMorgan's acknowledgment that it should resign demonstrates the inherent prejudice to the Trust if JPMorgan continues to act for the Trust. In March 2009, on the eve of trial, JPMorgan, acting in concert with Pioneer and Woodside, attempted to sell the Trust estate in a non-public auction in the midst of the most severe economic downturn since the 1930's and at a time of historically low oil and gas prices.

As expected by Plaintiffs there were no bidders. Thus, the Trust has been irreparably damaged in terms of value and marketability in a reasonable commercial setting. It is manifest that JPMorgan cannot act for the Trust with the independence, loyalty, and due care to which the Trust is entitled in this critical period.

DAMAGES TO THE TRUST CAUSED BY DEFENDANTS' WRONGFUL CONDUCT.

48. The above-described misconduct by the Defendants has damaged and continues to damage the Trust in several ways. First, it immediately deprives the Trust of cash to which it is entitled. Second, the reduced cash flow to the Trust has artificially created conditions requiring early termination of the Trust. Third, the proceeds to the Trust upon the sale of the Overriding Royalty Interest will be reduced by actions designed to create the appearance that the Overriding Royalty Interest is less valuable than Pioneer and JPMorgan knows it to be. The Trust has been reduced in value, and profits have been lost which would have been earned had the properties been properly developed before liquidation. Finally, the Trust has incurred the fees of JP Morgan and JP Morgan has made profits which properly belong to the Trust.

E. THE CLAIMS.

Construction of the Trust.

49. This proceeding is filed under §115.001 of the Texas Trust Act and §37.005 of the Texas Uniform Declaratory Judgments Act. Among other remedies sought, without limitation, the court is requested to make the following constructions and declarations:

- (a) Construe the Trust Indenture to determine that the Trust is not terminated because there has or should have been production which would have generated revenues to extend the life of the Trust as set forth above;
- (b) Determine the responsibilities and duties of the Trustee to pursue the claims of the Trust set forth in paragraphs 50 to 63

below or to allow Plaintiff to pursue such claims on behalf of the Trust;

- (c) Make all determinations of fact affecting the administration, distribution or duration of the Trust including, without limitation, determination that Defendants have acted to conceal production and otherwise failed to act as prudent operators which would have extended the term of the Trust and produced revenue to the Trust;
- (d) Require an accounting of all plugging and abandonment expenses which were improperly applied to reduce the income of the Trust, and set aside any alleged termination of the Trust after the proper application of plugging and abandonment expenses, and further require independent reserve reports;
- (e) Set aside any farmouts by Pioneer in which there have been conveyances to an affiliate of Pioneer in violation of the Conveyance and as a self-dealing transaction;
- (f) Order full accounting of JP Morgan and Pioneer's administration of any Trust properties; and
- (g) Construe all agreements among the Trust, Pioneer and Woodside or any other person which relate directly or

indirectly to the duration of the Trust or to any income to which the Trust is entitled.

50. In addition to the foregoing declarations and construction, MOSH Holding seeks all equitable, supplemental, and ancillary remedies necessary to provide relief resulting from these declarations and constructions including damages, injunctive relief, and such other relief to which it may be entitled. Plaintiff also seeks its attorney's fees, costs, prejudgment and postjudgment interest to the extent allowed by law.

CLAIMS AGAINST JP MORGAN, INDIVIDUALLY, AS TRUSTEE AND AS A GENERAL PARTNER

BREACH OF FIDUCIARY DUTY

51. JP Morgan, individually, as Trustee, and as a General Partner, has breached its fiduciary duties to Plaintiff and to all beneficiaries of the Trust. Plaintiff sues for this misconduct and *inter alia* requests the following relief:

- (1) Removal of JP Morgan as Trustee because the Trustee materially violated the terms of the Trust which resulted in material loss to the Trust and also for cause as provided in Section 113.082 of the Texas Trust Code.
- (2) Damages for depreciation in the value of the Trust and damages for any loss of profit to the Trust.
- (3) All compensations and profits of the Trustee including, without limitation, all compensation paid as Administrative Agent or as a lender under the credit facilities between JP Morgan and Pioneer.
- (4) Reimbursement of all legal fees paid by the Trustee to JPMorgan's lawyers with respect to this litigation.

As the breaches of fiduciary duties have been committed fraudulently, in bad faith, or with gross negligence, MOSH Holding and the Beneficiaries of the Trust are entitled to actual damages along with punitive and exemplary damages.

CLAIMS AGAINST PIONEER AND WOODSIDE

Breach of Fiduciary Duty

52. As the managing general partner of the Partnership, Pioneer owes its partner, the Trustee of the Trust, the partnership duty recognized in the law. Additionally, Pioneer has power to manage the Trust and is presumptively a fiduciary required to act in good faith with regard to the purposes of the Trust and the interests of the beneficiaries of the Trust. Tex. Prop. Code § 114.003(c). By all the actions set out above, Pioneer has breached its fiduciary duty to the Trust to make full disclosure of all matters affecting the Partnership, to account for all Partnership profits and property, and to avoid self-dealing. As a result of Pioneer's wrongful conduct, the Trust has suffered, and continues to suffer, damages, including the imminent threat of premature termination. As a beneficiary of the Trust, MOSH Holding has suffered, and continues to suffer, damages as a result of Pioneer's wrongful acts, including the imminent threat of premature termination of the Trust.

Aiding and Abetting Breach of Fiduciary Duty.

53. Defendant Pioneer has caused JP Morgan to breach its fiduciary duty and is jointly and severally liable for all breaches of JP Morgan.

54. Defendant Woodside knowingly has participated in Pioneer's breach of its fiduciary duties to the Partnership; to its partner, the Trustee of the Trust; and to the Trust and its beneficiaries. Woodside is, therefore, jointly liable with Pioneer for damages to the Trust and to the Trust's beneficiaries resulting from Pioneer's breach of fiduciary duty.

Misapplication of Fiduciary Property.

55. Pioneer has misapplied fiduciary property. TEX. PEN. CODE ANN. § 32.45 (Vernon Supp. 2004). Specifically, Pioneer has intentionally, knowingly, or recklessly dealt with the Overriding Royalty Interest and with the Net Proceeds due to the Trust contrary to the terms of the Conveyance and in a manner that involves substantial risk of loss to the Trust. Thus, there are no applicable statutory caps to punitive damages.

Conspiracy To Misapply Fiduciary Property.

56. Defendant Woodside conspired with Pioneer to misapply fiduciary property. TEX. PEN. CODE ANN. § 15.02 (Vernon 2003). Specifically, Woodside agreed with Pioneer that Pioneer would farmout Brazos A-39 to itself in violation of the Conveyance; that Pioneer would file a pipeline permit application to mislead the Trust regarding the potential recovery from the Brazos A-39 Block; and that Pioneer would wrongfully delay production from the Midway Well and misrepresent the Midway Well condemned the prospectivity of Brazos Block A-39. Pioneer has engaged in this, and other, wrongful conduct to deny the Trust proceeds to which it is entitled and to cause the premature termination of the Trust. Thus, there are no applicable statutory caps to punitive damages.

Common Law Fraud.

57. Pioneer made material misrepresentations to the Trust regarding Net Proceeds due the Trust pursuant to the Conveyance. Pioneer further failed to disclose material information about the Subject Interests, particularly the Midway Well, which they had a duty to disclose to the Trust.

58. Pioneer knowingly made these misrepresentations and omissions with the intent that the Trust rely on them.

59. The Trust did so rely, and, as a result, the Trust and its beneficiaries have suffered damages.

60. Pioneer willfully and intentionally defrauded the Trust and its beneficiaries and is, therefore, liable for exemplary damages.

Gross Negligence.

61. Alternatively, as set forth above, Pioneer has been grossly negligent in its operation of the Subject Interests by, *inter alia*, failing promptly to conduct a flow test on the Midway Well, failing to file a permit application for a pipeline of appropriate size and location, and failing to get production on line promptly for the Brazos A-39 Block, and failing to prudently develop the Trust properties. The Trust and its beneficiaries have suffered damages as a result of this gross negligence and are entitled to recover actual and punitive damages.

Breach of the Conveyance Agreement.

62. Alternatively, as set forth above, Pioneer has breached the Conveyance by farming out Brazos A-39 Block to itself in violation of the express terms of the Conveyance, by failing properly to account for Net Proceeds due the Partnership and, therefore, the Trust, and by failing to operate the Subject Interests with reasonable and prudent business judgment and in accordance with good oil and gas field practices. The Trust, and the beneficiaries of the Trust, have suffered damages as a result of Pioneer's breach of the Conveyance. The Trust and its beneficiaries are entitled to recover actual damages, attorney's fees, and costs.

CLAIMS AGAINST ALL DEFENDANTS

***Joint and Several Liability of All Defendants
for Aiding and Abetting Breaches of Fiduciary Duties***

As noted previously, Defendant JPMorgan breached its fiduciary duties to Plaintiff and to all beneficiaries of the Trust, and Defendants Pioneer and Woodside breached their fiduciary duties to the Trust and the beneficiaries thereof. All Defendants herein are thus jointly and severally liable for aiding and/or participating in these breaches of fiduciary duties; under such circumstances, all assisting and/or participating third parties become joint tortfeasors with the fiduciary and are jointly and severally liable under Texas law. *See Kinzbach Tool Co. v. Corbett-Wallace Corp.*, 138 Tex. 565, 160 S.W.2d 509 (1942). All Defendants thus are jointly and severally liable for aiding and abetting the Defendants' breaches of fiduciary duty. *Kinzbach*, 160 S.W.2d at 514 (a defendant's knowing participation in a breach of fiduciary duty gives rise to a viable cause of action, creating joint and several liability).

F. DAMAGES FROM PIONEER AND WOODSIDE.

62. Based on the foregoing, and other information reviewed by MOSH Holding, it appears that, pursuant to the terms of the Conveyance, the Trust would be entitled to millions of dollars in damages in Net Proceeds from production from the Midway Well in an amount to be proved at trial. By delaying production from this well and by engaging in other conduct that reduced the Net Proceeds due the Partnership and, therefore, the Trust, the Defendants have orchestrated a series of events that threaten the premature termination of the Trust. If the Trust is allowed so to terminate, it will suffer damages in an amount to be proved at trial.

63. Pioneer, moreover, has been grossly negligent in its operation of the Subject Interests. Pioneer has intentionally and willfully defrauded the Trust. The Trust, therefore, is entitled to punitive damages.

64. Defendants should forfeit all benefits received.

G. DEMAND FOR JURY.

65. MOSH Holding demands a jury trial and has tendered the appropriate fee.

**APPLICATION FOR TEMPORARY RESTRAINING ORDER, TEMPORARY
INJUNCTION, SHOW CAUSE ORDER, AND PERMANENT INJUNCTION**

66. MOSH Holding restates and incorporates the allegations set forth in paragraphs one through 64. Based upon these allegations, and the activities giving rise thereto, there is an immediate risk of irreparable harm to the Trust and to its beneficiaries, including MOSH Holding, that the Trust will be wrongfully terminated and closed out prematurely. As set forth above, knowing of its conflict of interest, JPMorgan acknowledged it should resign yet will continue to act as trustee this critical period to the harm of the Trust. Such harm is irreparable and for which there is no adequate remedy at law.

67. Accordingly, MOSH Holding requests that an injunction be issued: enjoining JPMorgan, individually, as Trustee, and as a General Partner, and the other Defendants from taking any action that would terminate the Trust or sell Trust assets (this is not an election of remedies at this time).

68. After trial on the merits, MOSH Holding request such permanent injunctive relief as is necessary to provide relief to the parties.

69. MOSH Holding further requests that a show cause order be issued for a hearing on the temporary restraining order and thereafter a hearing on a temporary injunction.

70. MOSH Holding further requests that after the hearing on the temporary injunction, the temporary injunction be entered and that after a trial of the case, a permanent injunction be entered as to these matters.

PRAYER.

71. WHEREFORE, PREMISES CONSIDERED, MOSH Holding, L.P. prays that the injunctive relief prayed for be granted; and that after a trial on the merits, judgment be entered against the Defendants for permanent injunction, actual damages not to exceed \$500 million, exemplary damages, attorneys' fees and costs, pre- and post-judgment interest in lawful amounts, and all other relief, legal and equitable to which MOSH Holding is entitled.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing instrument was forwarded to all known counsel of record in the manner required by the Rules, on this the 25th day of March, 2009.

VIA CMRRR and FACSIMILE

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Pro Se



John H. Kim



I, Chris Daniel, District Clerk of Harris County, Texas certify that this is a true and correct copy of the original record filed and or recorded in my office, electronically or hard copy, as it appears on this date.
Witness my official hand and seal of office this November 2, 2011

Certified Document Number: 41673976

Chris Daniel, DISTRICT CLERK
HARRIS COUNTY, TEXAS

In accordance with Texas Government Code 406.013 electronically transmitted authenticated documents are valid. If there is a question regarding the validity of this document and or seal please e-mail support@hcdistrictclerk.com

www.pearsoned.com

334th JUDICIAL DISTRICT

(2) Defendant Pioneer Natural Resources Company and Defendant Pioneer Natural Resources USA, Inc., in their individual capacities, its capacity as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance (collectively, "Pioneer").

(3) Defendant JPMorgan Chase Bank, N.A., in its individual capacity (referred to as "JPMorgan"), in its capacity of Trustee of the Trust (referred to as "Trustee"), and in its capacity as general partner of the Partnership; and

(4) Defendant Woodside Energy (USA) Inc.

The Settlement Agreement is attached to this Final Judgment as Exhibit A, and is adopted and incorporated into this Final Judgment. The Court approved the Settlement making Findings of Fact and Conclusions of law, which are attached to this Final Judgment as Exhibit B, and are adopted and incorporated into this Final Judgment.

Subsequently, Pioneer, JPMorgan and Woodside filed their joint motion for summary judgment and motion to dismiss the claims of Intervenor Keith Wiegand, Robert Miles, Gordan Stamper, Michael Brown, Benjamin J. Ginter. Intervenor Robert Miles nonsuited his intervention prior to argument on these motions. Having considered the motions, the responses, the applicable law, and the argument of counsel and *pro se* parties, the Court determines that the motions should be GRANTED.

The Court also heard the motion for sanctions filed by Gordan Stamper. That motion is DENIED.

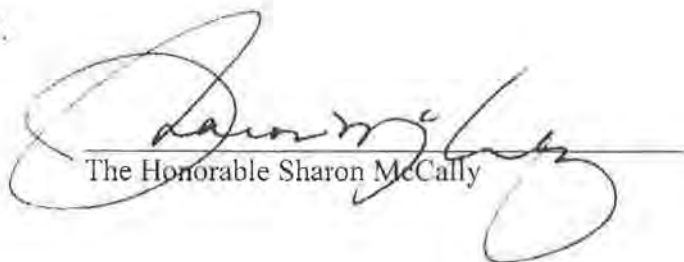
As the Court's ORDERS have resolved all parties and all claims, this is a FINAL JUDGMENT. Any other claims by any parties to this suit, to the extent not otherwise addressed by this FINAL JUDGMENT, are dismissed with prejudice.

Signed on September 14, 2009.

FILED
Loren Jackson
District Clerk

SEP 14 2009

Time _____
By _____
198375 Deputy


The Honorable Sharon McCally

Final Settlement Agreement

A. Background and Parties

1. Parties: The parties (hereinafter referred to as "Parties" and individually as a "Party") to this settlement agreement (hereinafter "Settlement Agreement" or "Agreement") are:

a. "Pioneer," which for purposes of this Agreement means and includes Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., in their individual capacities, in its capacity as managing general partner of the Mesa Offshore Royalty Partnership ("Partnership"), and as Subject Lessee and/or operator under the Overriding Royalty Conveyance ("Conveyance"). Pioneer includes (unless otherwise specified) Pioneer's affiliates, subsidiaries, and partners and also includes all of these entities' owners, employees, agents, directors, officers, and attorneys.

b. "Plaintiffs," which for purposes of this Agreement means and includes MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation in all of their capacities, as asserted in the Lawsuit or otherwise. Plaintiffs include (unless otherwise specified) Plaintiffs' affiliates, subsidiaries, and partners and also include all of these entities' owners, employees, agents, directors, officers, and attorneys.

c. "Trustee" or "JPMorgan," which for purposes of this Agreement means and includes JPMorgan Chase Bank, N.A., in its individual capacity, in its capacity as Trustee of the Mesa Offshore Trust ("Trust"), and in its capacity as general partner of the Partnership. JPMorgan and/or Trustee includes (unless otherwise specified) JPMorgan and/or Trustee's affiliates, subsidiaries, and partners and also includes all of JPMorgan and/or Trustee's owners, employees, agents, directors, officers, and attorneys.

d. "Woodside," which for purposes of this Agreement means and includes Woodside Energy (USA) Inc. Woodside includes (unless otherwise specified) Woodside's affiliates, subsidiaries, and partners and also includes all of Woodside's employees, agents, directors, officers, and attorneys.

e. The "Partnership," which for purposes of this Agreement means and includes the Mesa Offshore Royalty Partnership. Partnership includes the Partnership's affiliates, subsidiaries, and partners and also includes all of the Partnership's employees, agents, directors, officers, and attorneys.

f. The "Trust," which for purpose of this Agreement means and includes the Mesa Offshore Trust.

2. Defendants: "Defendants" refers to Pioneer, JPMorgan, and Woodside.

EXHIBIT A

A

Plaintiff's App. 00877

3. The "Lawsuit." Plaintiffs have pursued, on their own behalf and for the Trust and its Unit Holders, based upon, among other things, the Trust Fund Doctrine and as authorized by the Trustee, claims in the case styled *MOSH Holding, L.P. v. Pioneer Natural Resources Company; Pioneer Natural Resources USA, Inc.; Woodside Energy (USA) Inc.; and JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust*, Cause No. 2006-01984; pending in the 334th Judicial District Court of Harris County, Texas ("Lawsuit" or "Suit"). This settlement disposes of all claims that were raised or that could have been raised in this Lawsuit, and Plaintiffs hereby acknowledge and agree that all of the claims they have pursued (or could have pursued) in the Lawsuit, including claims known or unknown to the Plaintiffs, are settled as set forth below.

4. No Admission of Liability: This settlement is made for the purpose of avoiding the expense, uncertainty, and inconvenience of litigation and is the result of the compromise of disputed claims. This settlement shall not be offered or construed as an admission of liability by any Party, and all Parties expressly deny any liability to any Party to the Lawsuit.

5. Execution Date: The Execution Date of this Settlement Agreement is May 18, 2009.

B. Consideration

1. Sufficiency: The Parties agree that good and sufficient consideration has been exchanged pursuant to this Agreement.

2. Pioneer Settlement Sum and Settlement Interests: Pioneer will pay to the Trust the sum of \$13 million ("Pioneer Settlement Sum"). The timing for payment by Pioneer of the Pioneer Settlement Sum is set forth in paragraph D(2) below. Pioneer will also sell its interests in Brazos Block A-39 ("Pioneer Settlement Interests"), which were identified in Pioneer's tender letter of October 10, 2008 to Plaintiffs and JPMorgan, and Pioneer will contribute to the Trust all proceeds earned from this sale. The Pioneer Settlement Interests are identified in the two Sales Assignments attached as Exhibits A-1 and A-2 to this Agreement. The Pioneer Settlement Interests will be sold pursuant to the terms set forth in paragraph D(1) below.

3. JPMorgan Settlement Sum: JPMorgan will pay to the Trust the sum of \$5 million ("JPMorgan Settlement Sum"). The timing for payment by JPMorgan of the JPMorgan Settlement Sum is set forth in paragraph D(2) below. JPMorgan will also release all claims for and forgive repayment of the existing \$5 million loan provided by JPMorgan to the Trust; however, notwithstanding anything to the contrary provided for herein, JPMorgan may use the remaining balance of the credit facility and any other Trust income to pay Trust liabilities and expenses as permitted under the Royalty Trust Indenture ("Indenture") prior to receipt of the Settlement Proceeds (defined in paragraph D(2)) below) and the Final Distribution to the Unit Holders (defined in paragraph D(4) below).

4. Woodside Settlement Sum: Woodside will pay to the Trust the sum of \$1 million ("Woodside Settlement Sum"). The timing for payment by Woodside of the Woodside Settlement Sum is set forth in paragraph D(2) below.

5. Settlement Proceeds: The Woodside Settlement Sum, the JPMorgan Settlement Sum, and the Pioneer Settlement Sum will together be referred to as the "Settlement Proceeds."

6. Release of Pioneer by all Parties: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; the Trustee (on behalf of the Trust and its Unit Holders); the Trustee (in its capacity as general partner of the Partnership); JPMorgan (individually); and Woodside each agree to fully, finally and forever release, acquit, and discharge Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance), its predecessors, successors and assigns, from any and all claims, causes of action, demands and liabilities known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Pioneer or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of Pioneer or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

7. Release of JPMorgan a/k/a the Trustee: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and Woodside each agree to fully, finally and forever release, acquit, and discharge the Trustee, its predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of JPMorgan or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or

representation of JPMorgan or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

8. Release of Plaintiffs: JPMorgan (individually, as Trustee on behalf of the Trust and its Unit Holders and as general partner of the Partnership); Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and Woodside each agree to fully, finally and forever release, acquit, and discharge Plaintiffs, their predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Plaintiffs or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of Plaintiffs or any of the other Parties, subject to paragraph E(5) below. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

9. Release of Woodside: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); and JPMorgan (individually, as general partner of the Partnership, and as Trustee on behalf of the Trust and its Unit Holders) each agree to fully, finally and forever release, acquit, and discharge Woodside, its predecessors, successors, and assigns from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Woodside or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation

of Woodside or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

10. Release of Trust and Partnership: Plaintiffs in all of their capacities, as alleged or otherwise, including on behalf of the Trust and/or the Partnership and/or the Unitholders as authorized by the Trust Fund Doctrine and otherwise; Pioneer (individually, as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Conveyance); JPMorgan (individually, as general partner of the Partnership, and as Trustee on behalf of the Trust and its Unit Holders); and Woodside each agree to fully, finally and forever release, acquit, and discharge the Trust and the Partnership from any and all claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of the Trust and/or the Partnership or of any of the Parties. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing parties are relying upon their own judgment and are not relying upon any statement or representation of the Trust, the Partnership or any of the other Parties. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

11. Release by the Trust and Partnership: The Trust (through the Trustee and through Plaintiffs in their representative capacity, as alleged or otherwise, under the Trust Fund Doctrine and otherwise) and the Partnership (through the Trustee as general partner, Plaintiffs in their representative capacity, as alleged or otherwise, under the Trust Fund Doctrine and otherwise, and Pioneer as managing general partner) agree to fully, finally and forever release, acquit, and discharge Plaintiffs and Defendants, their predecessors, successors, and assigns from any and all claims, known or unknown, contingent or direct, that arise from or relate in any way to the claims, causes of action, demands and liabilities, known or unknown, that have been or could have been asserted in the Lawsuit including, without limitation, any and all claims relating to or concerning in any way the acts and/or omissions of Plaintiffs or Defendants. These releasing parties expressly warrant and represent that no promise or agreement which has not herein been expressed has been made to or relied upon by them in executing this release and that the releasing

parties are not relying upon any statement or representation of Plaintiffs or Defendants. This release shall include and encompass any such claims, causes of action, demands, liabilities, matters or theories, including, but not limited to, those based in contract or in tort and whether based on alleged breaches of fiduciary duty, misapplication of fiduciary property, fraud, negligence or gross negligence, breach of contract, conspiracy, or aiding or abetting. This release will also include, without limiting the foregoing, any claim by any releasing party for reimbursement of attorney's fees or of any costs, other than as provided for in paragraph D(3).

12. Limitations on Releases: The claims released pursuant to this section are referred to hereafter as "Released Claims." The following is carved out from the scope of the Released Claims:

a. JPMorgan/Pioneer Commercial Lending: Any claims to enforce the rights and obligations owed between and amongst Pioneer, in its individual capacity, and JPMorgan, in its individual capacity, arising out of any commercial lending and/or non-Trust related relationships and contracts existing between them;

b. JPMorgan/Woodside Commercial Lending: Any claims to enforce the rights and obligations owed between and amongst Woodside, in its individual capacity, and JPMorgan, in its individual capacity, arising out of any commercial lending and/or non-Trust related relationships and contracts existing between them;

c. Pioneer/Woodside Ordinary Course: Any claims to enforce the day-to-day rights and obligations owed between and amongst Pioneer, in its individual capacity, and Woodside, arising out of the ordinary course, operating-based relationship set forth in the Offshore Operating Agreement during the time such agreement is effective between Pioneer and Woodside, and in particular does not include any obligations that may exist associated with Pioneer's assignment of its interests in the South Half of Brazos Block A-39 to occur as part of the sales process described below. However, this limitation does not in any way exclude from the scope of coverage of the releases provided between and amongst Pioneer and Woodside any claims, causes of action, demands and liabilities, known or unknown, contingent or direct, that arise from or relate in any way to the claims, matters, or theories that have been or could have been asserted in the Lawsuit.

d. Enforcement Rights: Any claims to enforce the rights and obligations set forth pursuant to the Final Settlement Agreement between the Parties or the terms of the Final Agreed Judgment.

C. Conditions Precedent

1. Court Approval of the Terms of the Settlement Agreement: The consideration by the Parties set forth in Part B (Consideration) is subject to and contingent upon the approval by the Court of the Settlement Agreement. The Settlement Agreement will be presented to the Court for consideration and approval and a settlement

hearing will be scheduled so as to provide adequate time for the Trustee to notify the Unit Holders in accordance with the notice provisions set forth in the Indenture and the Texas Trust Code. The Parties will cooperate in submitting a Joint Motion for Approval and/or any other reasonably necessary filing to support the approval of the Settlement Agreement and entry of the Final Agreed Judgment. Should the Court within a reasonable time fail to approve this Settlement Agreement pursuant to the terms set forth in the Final Agreed Judgment (attached hereto as Exhibit B), subject to paragraph C(2), below, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable.

2. Entry by the Court of the Final Agreed Judgment: The consideration by the Parties set forth in Part B (Consideration) is also subject to and contingent upon entry by the Court of the Final Agreed Judgment in the form attached as Exhibit B to this Settlement Agreement, subject to the terms of this paragraph C(2). For purposes of this Settlement Agreement, the Final Agreed Judgment means and includes findings of fact and conclusions of law (that may be filed separately pursuant to Tex. R. Civ. P. 299(a) accompanying the Final Agreed Judgment, which are likewise attached hereto as Exhibit C). Should the Court materially modify the Final Agreed Judgment, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable as to that party. Material modifications would include (but would not be limited to) modifications altering the releases (or their scope); the termination procedures; the scope and enforceability of the Final Agreed Judgment; and/or if the Court fails to find that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders. The Parties further agree that they will cooperate in submitting any redrafted Agreed Final Judgment (including any finding of fact or conclusion of law) containing non-material modifications as may be requested by the Court.

3. Appeal of the Final Agreed Judgment: Should any party, person or entity appeal the Court's entry of the Final Agreed Judgment, the release of Settlement Proceeds held in escrow to the Trust, as described in (D)(2) below, will not occur until such time as the Final Agreed Judgment becomes final and non-appealable. Should the Final Agreed Judgment be reversed or modified, any party to this Settlement Agreement will have the right to declare the Settlement Agreement void and unenforceable.

D. Liquidation and Funding Process

1. Sale of Partnership Assets and Pioneer Settlement Interests:

a. Timing of Sale: After the Settlement Agreement is approved and the Final Agreed Judgment entered, the Trustee will complete the liquidation and wind up process for the Trust and will instruct Pioneer to do the same with respect to the Partnership. As part of this liquidation process, the Pioneer Settlement Interests and the Partnership Assets will be offered for sale via a public auction. The sale will be conducted by Pioneer consistent with the terms contained herein as approved by the Court and the instructions of the Trustee. The sale shall be conducted promptly

following the approval of the Settlement Agreement and entry of the Agreed Final Judgment. In conducting the sale, Pioneer may utilize the services of the Oil & Gas Asset Clearinghouse or, as necessary, any other auction service selected by Pioneer. The effective date of the sale of the Pioneer Settlement Interests and the Partnership Interests will be 7:00 a.m. CT of the first day of the month in which the auction occurs subject to the procedures of the auction service.

b. Sale by Lot: The Partnership Assets and the Pioneer Settlement Interests will be offered in two lots ("Sales Lots" or "Lots") as follows:

(i) the "West Delta Lot" comprised of the Partnership's West Delta 61 overriding royalty interest together with any other interests of the Partnership in West Delta Block 61. The interests comprising the West Delta Lot are described in the West Delta Lot Assignment, which together with the ancillary sales documentation is attached hereto as Exhibit A-1;

(ii) the "Brazos A-39 Lot" comprised of (a) Pioneer's record title and operating rights in and to the Brazos A-39 lease, (b) the \$1.6 million dedicated plugging and abandonment escrow fund earmarked for the Brazos A-39 lease, which will remain escrowed until abandonment of the lease is complete (the Abandonment Agreement and Abandonment Escrow Agreement are attached hereto as Exhibits D and E, respectively), and (c) certain interests that burden Pioneer's record title and/or operating rights including Pioneer's and the Partnership's overriding royalty interest in the Midway and the Nimitz wells created under the Pioneer-Woodside 2003 farmout and the Pioneer-Hydro Gulf of Mexico 2006 farmout and the royalty interest under the Overriding Royalty Conveyance as to the areas not covered by the Pioneer-Woodside farmout. The Brazos A-39 Lot interest will be sold subject to the operating rights in and to the south half of the Brazos A-39 lease assigned to Woodside in that Partial Assignment of Operating rights made effective January, 2003. The interests comprising the Brazos A-39 Lot are described in the Brazos A-39 Lot Assignment, which together with the ancillary sales documentation is attached hereto as Exhibit A-2.

c. Minimum Bid/Right of First Refusal Agreements: Plaintiffs have designated MOSH, LLC as a "Qualified Bidder" for the West Delta Lot and the Brazos A-39 Lot. The Qualified Bidder will have the right (but not the obligation) within five (5) business days following the entry of the Agreed Final Judgment by the Court to enter into a separate Right of First Refusal Agreement pertaining to the public auction of the Sales Lots as set forth below and in the Right of First Refusal Agreement attached hereto as Exhibit F. To constitute a "Qualified Bidder," so as to be able to enter into the Right of First Refusal Agreement within the time specified above, the person or entity identified by Plaintiffs must demonstrate to Pioneer that the person or entity meets the following requirements: (a) with respect to both Sales Lots, the Qualified Bidder must place in escrow pursuant to the terms of the Right of First Refusal Escrow Agreement (attached hereto as Exhibit G) \$375,000 ("Escrow Sums") for each Sales Lot (i.e., \$750,000 in the aggregate) within five (5) business days following the date the trial court enters an Agreed Final Judgment approving the terms of the Final Settlement; and (b) with respect

to the Brazos A-39 Lot, demonstrate its qualification with the Minerals Management Service of the US Department of the Interior ("MMS") to hold record title interest in and be a qualified and bonded operator for offshore interests pursuant to the regulations and requirements of the MMS. Should the Qualified Bidder exercise its right to enter into the Right of First Refusal Agreement, it will become obligated to provide a minimum bid on each lot of \$375,000 and in the event no higher bid is received, the Qualified Bidder will be obligated to purchase the Lot for the \$375,000 sum escrowed or the Lots for the \$750,000 sum escrowed. Should bid(s) be received that are higher than the \$375,000 sums escrowed by the Qualified Bidder, the Qualified Bidder will have the right (but not the obligation) to match the bids and purchase the Lot(s).

d. Completion of Sale: The Lot(s) will be sold to the highest bidder(s) subject to the exercise by the Qualified Bidder of its Right of First Refusal. Should the Qualified Bidder choose not to exercise its Right of First Refusal, then the Lot(s) will be sold to the highest bidder(s). In the event the Qualified Bidder exercises its Right of First Refusal, but then fails to close for any reason, Pioneer will offer the Lot(s) to the highest remaining bidder(s) and close the sale(s) should such bidder(s) agree to purchase the Lots at the price offered during the bidding process, and shall continue such offers to bidders in order to close a sale or sales for the highest available cash price. If such bidders are unwilling to purchase the Lot(s) at the prices they bid during the auction, or if this liquidation process does not result, for any reason, in a sale of both of the Lots, Pioneer is entitled (at its sole option and its sole discretion) to dispose of the Pioneer Settlement Interests in any manner it sees fit. In such event, Pioneer will have the absolute right, in its sole discretion, to cancel, extinguish, or otherwise dispose of all or part of such interest(s). For example, and not by way of limiting Pioneer's options, Pioneer may withdraw from its participation in and ownership in Brazos Block A-39 pursuant to the terms of the Offshore Operating Agreement governing Brazos Block A-39. It is further agreed and understood that if any of the Partnership's assets remain after the sales process for which no buyer can be found, Pioneer will have the absolute right, in its sole discretion, to cancel, extinguish, or otherwise dispose of all or part of such interest(s). Up until the time of any sale or other disposition of the Partnership's assets, Pioneer, as managing general partner of the Partnership, shall continue to operate the Partnership's assets and distribute in the normal course any net proceeds to the Trustee for the benefit of the Trust.

2. Payment of Sales Proceeds and Settlement Proceeds: Pioneer will tender the proceeds obtained from the sale of both Lots ("Sales Proceeds") to the Trustee promptly upon receipt by Pioneer. Upon payment of the Sales Proceeds to the Trustee, the Partnership will be deemed terminated, liquidated, and wound up in all respects. Within seven (7) business days after the sales auction is held, Defendants will tender the Settlement Proceeds to JPMorgan to be held in escrow at JPMorgan in interest bearing accounts. Once the Final Agreed Judgment becomes final and non-appealable, but not before, the Settlement Proceeds will be released to the Unit Holders by the Trustee for distribution in accordance with the terms set forth below in paragraph D(4). The combined sum of the Settlement Proceeds and Sales Proceeds, after they have been released to the Trustee for distribution, is referred to as the "Gross Resolution Proceeds."

Should the Final Agreed Judgment be reversed, the Settlement Proceeds (together with accrued interest) will be remitted by JPMorgan to Defendants.

3. Plaintiffs' Counsel's Attorney's Fees: Plaintiffs' counsel will seek recovery of attorney's fees of six million two hundred fifty thousand dollars (\$6,250,000.00) and expenses of approximately two million five hundred thousand dollars (\$2,500,000.00). The actual amount awarded will be subject to Court approval. Should the Court determine that a different amount should be awarded for attorney's fees and expenses to Plaintiffs' counsel, such a determination will not constitute grounds for voiding this Settlement Agreement. The fees and expenses will be paid by the Trustee out of the Gross Resolution Proceeds after (but not before) the Settlement Proceeds are released to the Trust in accordance with paragraph D(4) below. If the Settlement Proceeds are not released to the Trust from the JPMorgan escrow accounts referred to in D(2) above (for example if the Agreed Final Judgment is reversed on appeal), no attorney's fees or expenses will be paid to Plaintiffs' counsel under this Settlement Agreement.

4. Liquidation of Trust and Partnership: The Trustee will pay Plaintiffs' counsel's attorney's fees and expenses awarded by the Court pursuant to the terms of the Final Agreed Judgment out of the Gross Resolution Proceeds per the paragraph above. In addition, the Trustee will deduct the reasonable costs incurred subsequent to April 27, 2009 of effecting the sales of the Lots (including without limitation any commission or sales administrative charges) and other fees and expenses relating to the administration of the Trust for which the Trustee is entitled to pay or to receive payment under the Indenture, notwithstanding anything to the contrary provided herein. The remaining sum, which will include any other ordinary course proceeds received by the Trust ("Net Resolution Proceeds") will be distributed by check to the Unit Holders, as of the future Record Date as provided below and approved by the Court in the Agreed Final Judgment. This distribution, which shall take place promptly after, but in no event later than the 30th day following, the Record Date, is referred to as the "Final Distribution." Plaintiffs will share in the Final Distribution based solely upon their pro rata beneficial interest in the Trust as of the Record Date. The Record Date shall be twenty (20) days after the last of the following events to occur: (1) the payment of the Sales Proceeds to the Trustee, or (2) the day this Final Agreed Judgment becomes final and non-appealable, or (3) if appealed, and the appeal does not result in a reversal or modification, the day on which no further appeal or petition for review to a higher court can be taken. Once the Final Distribution has been made by the Trustee, the Trust will be deemed terminated, liquidated, and wound up in all respects. Should any Unit Holder's share of the Final Distribution be retained (for example, as a result of the failure of Unit Holders to accept and/or cash their distribution checks), the retained sums will *escheat* as provided for under Texas Law.

E. Miscellaneous Terms

1. Dispute Resolution: The Parties agree that if any dispute arises between the Parties under the Settlement Agreement prior to the date that the Trustee makes the Final Distribution, Grant Cook will serve as the sole arbitrator, and he will resolve any

such disputes in accordance with the arbitration procedures he believes (in his sole discretion) to be appropriate. Mr. Cook's decision will be final and binding; however, Mr. Cook is not empowered to alter any of the express terms of this Settlement Agreement. This provision, among others, will be included in the Court's Agreed Final Judgment. Should any dispute between the Parties arise after the Final Distribution is made by the Trustee, or should Mr. Cook be unable to act as an arbitrator for any dispute arising prior to the Final Distribution, such dispute(s) will be resolved by binding arbitration with a single arbitrator that must be an attorney admitted to practice law in Texas under the administration of the American Arbitration Association pursuant to its Commercial Arbitration Rules.

2. Construction of Agreement: The Parties agree that the terms of this Settlement Agreement were negotiated and reviewed by the Parties and their counsel and that all participated in the drafting. To that point, the terms of this Settlement Agreement are not to be construed against any of the drafters.

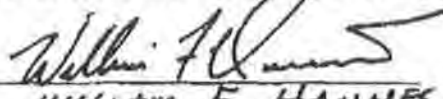
3. Reasonable Cooperation: The Parties will reasonably cooperate with each other with respect to the preparation of additional settlement documentation (and related materials) necessary to effectuate the completion of this settlement in accordance with the terms set forth in this Settlement Agreement.

4. Final Agreement: This Settlement Agreement supersedes any prior discussions and/or agreements (whether oral, written or other) including, without limitation, the Term Sheet. No modifications or amendments will be enforced unless such modifications are in writing signed by the Party to be charged.

5. No Reliance: The Parties disclaim any reliance upon any representations (or omissions) by any other party, with the exception of Plaintiffs' representation that neither MOSH Holding, L.P. and Dagger-Spine nor any of their owners, officers, or affiliates have any ownership, direct or indirect, or interest, direct or indirect, in MOSH, LLC. The Parties and their counsel have had the full and complete opportunity to litigate the issues (and/or related issues) and have agreed to the terms set forth in this Settlement Agreement. The Parties further disclaim any right to assert any claim for fraudulent inducement (or similar legal theory used to set aside releases) and agree that the releases provided herein are enforceable to the fullest extent permissible under Texas law.

6. Texas Law: The enforcement, application, and interpretation of this Settlement Agreement is subject to Texas Law without regard to any conflicts of law principles.

Executed by
Printed
Date


WILLIAM F. HANNES
5/18/2009

On behalf of Pioneer Natural Resources Company and Pioneer Natural Resources Company USA, Inc., both individually, and as Managing General

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by
Printed
Date

Timothy M. Robertson
Timothy M. Robertson
May 18, 2009

On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by
Printed
Date

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by
Printed
Date

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by
Printed
Date

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____

Printed _____

Date _____

On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____

Printed _____

Date _____

Timothy M. Roberson
Timothy M. Roberson
May 18, 2009

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____

Printed _____

Date _____

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by _____

Printed _____

Date _____

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____
Printed _____
Date _____

On behalf of MOSII Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

T. J. Foley
T. J. FOLEY
MAY 18, 2009

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by _____
Printed _____
Date _____

On behalf of Woodside Energy (USA) Inc.

Partner of the Mesa Offshore Royalty Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance

Executed by _____
Printed _____
Date _____

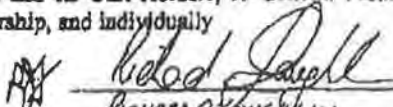
On behalf of MOSH Holding, L. P. in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of Dagger-Spine Hedgehog Corporation in its individual capacity, and for the limited purposes set forth herein, on behalf of the Mesa Offshore Trust and its Unit Holders and the Mesa Offshore Royalty Partnership

Executed by _____
Printed _____
Date _____

On behalf of JPMorgan Chase Bank, N.A., as Trustee of the Mesa Offshore Trust and its Unit Holders, as General Partner of the Mesa Offshore Royalty Partnership, and individually

Executed by  _____
Printed Richard O. Cunningham
Date 5/18/2009

On behalf of Woodside Energy (USA) Inc.

p23
ffc10
objdy

NO. 2006-01984

MOSH HOLDING, L.P., AND DAGGER-
SPINE HEDGEHOG CORPORATION,
Plaintiffs,

IN THE DISTRICT COURT

v.

PIONEER NATURAL RESOURCES
COMPANY; PIONEER NATURAL
RESOURCES USA, INC.; WOODSIDE
ENERGY (USA) INC.; AND
JPMORGAN CHASE BANK, N.A.
AS TRUSTEE OF THE
MESA OFFSHORE TRUST,
Defendants

HARRIS COUNTY, TEXAS

334th JUDICIAL DISTRICT

**FINDINGS OF FACT AND CONCLUSIONS OF LAW
WITH RESPECT TO FINAL SETTLEMENT AGREEMENT**

On June 18 and July 23, 2009, this Court held an evidentiary hearing ("the Settlement Approval Hearing") on the Joint Motion to Approve Final Settlement Agreement filed by the following parties:

- (1) Plaintiff MOSH Holding, L.P. and Plaintiff-Intervenor Dagger-Spine Hedgehog Corporation, both in their individual capacities and in their claimed capacities as representatives of the Mesa Offshore Trust ("the Trust") and/or the Certificate Holders ("the Unit Holders") of the Trust and/or the Mesa Offshore Royalty Partnership (the "Partnership"). MOSH Holding, L.P. and Dagger-Spine Hedgehog Corporation, in all of their capacities, will be referred to collectively as "the Plaintiffs."
- (2) Defendant Pioneer Natural Resources Company and Defendant Pioneer Natural Resources USA, Inc., in their individual capacities, its capacity as managing general partner of the Partnership, and as Subject Lessee and/or operator under the Overriding Royalty Conveyance ("the Conveyance") (collectively, "Pioneer").
- (3) Defendant JPMorgan Chase Bank, N.A., in its individual capacity (referred to as "JPMorgan"), in its capacity of Trustee of the Trust ("the Trustee"), and in its capacity as general partner of the Partnership.
- (4) Defendant Woodside Energy (USA) Inc.

(98374\)

FILED
Loren Jackson
District Clerk
AUG 06 2009
Time: _____
By _____ Harris County, Texas
Deputy _____

B

These parties are referred to herein collectively as “the Settling Parties.” The Intervenor and other objectors (including, without limitation, Keith Wiegand, Robert Miles, Gordon Stamper, Michael Brown, Benjamin J. Ginter and the 2009 Unitholders) were afforded the opportunity to participate in the hearing.

The Settling Parties seek the Court’s approval of the Final Settlement Agreement. After considering the papers filed, the evidence offered at the hearing, the arguments of the parties, and the arguments of the objectors to the Settlement Agreement, the Court APPROVES the Settlement Agreement as entirely fair to and in the best interest of the Trust and its Unit Holders, and issues the following findings of fact and conclusions of law in support of that approval.¹

I. This Court Has Jurisdiction

A. Conclusions of Law with Respect to Jurisdiction²

1. This Court concludes that it has jurisdiction over this case. *See* Tex. Prop. Code § 115.001 (providing that, with certain exceptions not applicable here, “a district court has original and exclusive jurisdiction over all proceedings by or against a trustee and all proceedings concerning trusts . . .”).

II The Trustee Has the Authority to Settle

A. Conclusions of Law with Respect to the Trustee’s Authority to Settle

2. The claims that were or could have been asserted in this case were owned by the Trust and/or the Partnership. The Trustee has the power to prosecute and settle these claims under the

¹ By citing some examples of evidence that supports the Court’s findings, the Court does not intend to imply that no other evidence supports the findings; to the contrary, the evidence adduced at the hearing overwhelmingly supports the Court’s findings.

² To the extent that a conclusion of law should have been designated as a finding of fact, or vice versa, the designation is not controlling, and the correct designation should be substituted. *See Ray v. Farmers’ State Bank of Hart*, 576 S.W.2d 607, 608 n.1 (Tex. 1979).

Royalty Trust Indenture ("Trust Indenture"), the Trust Code, and the common law, and, together with the Plaintiffs, to bind the beneficiaries of the Trust to the settlement.

3. Section 3.01 of the Trust Indenture provides that "the Trustee is authorized to take such action as in its judgment is necessary or advisable best to achieve the purposes of the Trust, including . . . to settle disputes with respect thereto." Section 3.05 also expressly grants the Trustee the power to settle claims:

3.05. *Power to Settle Claims.* The Trustee is authorized to prosecute or defend, and to settle by arbitration or otherwise, any claim of or against the Trustee, the Trust or the Trust Estate, to waive or release rights of any kind and to pay or satisfy any debt, tax or claim upon any evidence by it deemed sufficient.

Trust Indenture § 3.05.

4. Similarly, the Texas Trust Code expressly empowers the Trustee to settle such claims: "A trustee may compromise, contest, arbitrate, or settle claims of or against the trust estate or the trustee." Tex. Prop. Code § 113.019.

5. Finally, the common law recognizes that that a trustee has the power to release claims of the trust, and that a "beneficiary of the trust, is bound by that action." *Cogdell v. Fort Worth Nat'l Bank*, 544 S.W.2d 825, 829 (Tex. Civ. App.—Eastland 1977, writ ref'd n.r.e.).

B. Findings of Fact with Respect to the Trustee's Authority to Represent the Trust and to Settle on Its Behalf

6. The Trustee has the power to prosecute and settle these claims under the Royalty Trust Indenture ("Trust Indenture"), the Trust Code, and the common law, and, together with the Plaintiffs, to bind the beneficiaries of the Trust to the settlement.

7. The Trustee has agreed to settle these claims on behalf of the Trust on the Terms set forth in the Settlement Agreement, and has agreed that the Settlement Agreement is fair and in the best interest of the Trust and its Unit Holders.

III. The Plaintiffs Have the Authority to Represent the Trust and to Settle on Its Behalf

A. Conclusions of Law with Respect to Plaintiffs' Authority to Represent the Trust and to Settle on Its Behalf

8. A beneficiary of a trust may be permitted to enforce a claim or cause of action belonging to the trust when the trustee cannot or will not enforce it. *Grinnell v. Munson*, 137 S.W.3d 706, 719 (Tex. App.—San Antonio 2004, no pet.) (citing *Interfirst Bank-Houston, N.A. v. Quintana Petroleum Corp.*, 699 S.W.2d 864, 874 (Tex. App.—Houston [1st Dist.] 1985, writ ref'd n.r.e.)).

B. Findings of Fact with Respect to Plaintiffs' Authority to Represent the Trust and to Settle on Its Behalf

9. The claims that were asserted or that could have been asserted by the Plaintiffs in this case are owned by the Trust and/or the Partnership.

10. Plaintiffs have alleged that the Trustee failed to pursue the Trust and/or the Partnership's claims against Pioneer and Woodside, and that it, in fact, is unable to pursue such claims due to a conflict of interest. Plaintiffs have also argued that they have authority under §§ 115.011 and 115.015 of the Trust Code to pursue and settle the claims in this case. Plaintiffs have argued that, as a result, Plaintiffs are entitled to prosecute and compromise the claims of the Trust and/or the Partnership. Furthermore, the Trustee has previously authorized MOSH Holding, L.P., to pursue claims on behalf of the Trust and its Unit Holders. The Court finds that Plaintiffs, as beneficiaries of the Trust, had the authority to prosecute and agree to a settlement of the claims in this action on behalf of the Trust and its Unit Holders and/or the Partnership.

11. The Court finds that the Plaintiffs did in fact prosecute and agree to the settlement of the claims in this action on behalf of the Trust and its Unit Holders and/or the Partnership, and

agrees that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders.

12. The Court finds that the Plaintiffs are adequate representatives of the Trust and its Unit Holders and/or the Partnership. Plaintiffs have fully and fairly represented the Trust and its Unit Holders and/or the Partnership. Plaintiffs have zealously pursued this Lawsuit at great expense for four years. MOSH Holdings is the largest Unit Holder in the Trust. As such, Plaintiffs' interests are similarly situated to those of the absent Unit Holders. Plaintiffs have also retained experienced and skilled counsel to represent them and the interests of the Trust and its Unit Holders and/or Partnership in this case, thereby further supporting the adequacy of the Plaintiffs' representation. Finally, the Court finds that the Plaintiffs and the Defendants negotiated the Settlement Agreement at arms' length and in good faith.

IV. This Court Has the Authority to Approve the Settlement Agreement

A. Conclusions of Law with Respect to the Court's Authority to Approve the Settlement Agreement

13. Plaintiffs have alleged that the Trustee has a conflict of interest in this case. Accordingly, the Parties seek the Court's approval of the Settlement Agreement. The Court has the power to approve a Trustee's settlement of claims. *See Cogdell*, 544 S.W.2d at 828, 829-30 (noting trustee sought court approval of settlement agreement that released claims against trustee, because of potential conflict of interest, and holding that approval of settlement was a question for the court, rather than jury); RESTATEMENT (SECOND) OF TRUSTS § 192, cmt. d ("Application to court. If the trustee is in doubt whether he should compromise or submit to arbitration a claim, he may ask the instruction of the court or he may agree thereto conditionally upon the subsequent approval of the court.").

V. The Unit Holders Were Afforded Proper Notice of and an Opportunity to Object to the Settlement Agreement

A. Findings of Fact with Respect to the Notice and Opportunity to Object to the Settlement Agreement Afforded to the Unit Holders

14. Full and proper notice of the nature and existence of this Lawsuit, the Settlement Agreement, and the Settlement Approval Hearing was given to the Unit Holders by mail on May 18, 2009, pursuant to the Trust Indenture and the Texas Trust Code. Moreover, the Trustee filed a Form 8K with the Securities and Exchange Commission ("SEC") and issued a press release on May 18, 2009, announcing the settlement and the scheduled approval hearing. These notices satisfied the requirements under the Trust Indenture and § 115.015 of the Texas Property Code. These notices also provided the Unit Holders the ability to obtain a copy of the Settlement Agreement, proposed Final Judgment, and proposed Findings of Fact and Conclusions of Law

with Respect to Settlement Agreement, either by calling a representative of the Trustee or by visiting www.businesswire.com/cnn/mesaoffshoresettlement.htm.

15. A number of Unit Holders appeared and made objections to the settlement, by objection and/or by intervention including, but not limited to, the 2009 Unitholder Group, Keith Wiegand, Robert Miles, Gordon Stamper, Michael Brown, and Benjamin J. Ginter. The Court has considered these objections and interventions in making its findings of fact and conclusions of law.

VI. The Settlement Agreement Is Fair to and in the Best Interests of the Trust and Its Unit Holders

A. Conclusions of Law with Respect to the Whether the Settlement Agreement Is Fair to and in the Best Interests of the Trust and Its Unit Holders

16. The factors to be considered in determining whether a settlement on behalf of a trust should be approved include the following:

- (a) the probable validity of the claims;
- (b) the apparent difficulties in enforcing the claims through the courts;
- (c) the collectibility of any judgment recovered;
- (d) the delay, expense, and trouble of litigation;
- (e) the amount of the compromise as compared with the amount and collectibility of the judgment; and
- (f) the views of the parties involved, pro and con.

Cogdell v. Fort Worth Nat'l Bank, 544 S.W.2d 825, 829 (Tex. Civ. App.—Eastland 1976, writ ref'd n.r.e.) (citing *In re Ortiz's Estate*, 26 Del. Ch. 240, 27 A.D.2d 368 (1942)).

B. Findings of Fact with Respect to the Court's Finding that the Settlement Agreement Is Fair to and in the Best Interest of the Trust and Its Unit Holders

17. The Court finds, based on the *Cogdell* factors, that the Settlement Agreement is fair to and in the best interest of the Trust and its Unit Holders. An analysis of each factor follows.

a. The probable validity of the claims. In addition to the evidence adduced, papers filed, and arguments made in connection with the Settlement Approval Hearing, the Court has reviewed the voluminous summary judgment briefing and other briefing filed in this action by all of the parties, including, without limitation, the briefs filed in connection with Plaintiffs' attempt to enjoin the sale of Trust assets and Pioneer's motions to exclude testimony offered by Plaintiffs' technical and non-technical experts. The Court finds that numerous significant legal and factual arguments were advanced by Defendants and Plaintiffs, and that the final determination and resolution of these issues would involve significant risk to all parties if the case went to trial. These disputed issues include, but are not limited to, the following:

- * With respect to the Plaintiffs' wrongful farmout claim, Defendants argued that the Conveyance authorized Pioneer to pool or unitize the Subject Interests, *see* Conveyance at § 7.02; that the Farmout Agreement with Woodside was not an improper farmout under the parties' agreements; and that Plaintiffs and the Trust were not harmed by the Farmout, but rather were benefited by it.
- * With respect to Plaintiffs' claim that Pioneer failed to drill or drilled in a grossly negligently manner, Pioneer argued that the agreements and documents accompanying the agreements between the parties did not impose any duty to drill and, in fact, stated that Pioneer had no duty to drill or develop the prospects. Furthermore, Pioneer argued that Pioneer did not owe Plaintiffs or the Trust a duty to prudently develop the Prospects, and that, in any event, Plaintiffs had failed to produce any evidence that Pioneer acted in a grossly negligent manner or otherwise failed to meet any applicable standard of care with respect to its drilling

decisions and operations. Pioneer also argued that Plaintiffs had failed to come forward with evidence that Pioneer conducted drilling operations in a negligent manner or of damages stemming from any alleged failure to drill or improper drilling. Finally, Pioneer argued that Pioneer did drill to the target depth, and that there are simply no oil and gas reserves to be tapped in the Prospects.

- * With respect to Plaintiffs' breach of contract claim, Pioneer argued that Pioneer owed no contractual duty to Plaintiffs or the Trust under the Conveyance Agreement that could support a claim for breach of that agreement, because neither Plaintiffs nor the Trust were parties to that agreement.
- * Defendants also argued that they were not liable based on the limitation of liability provisions in the Partnership Agreement and the Trust Indenture, which provided that Pioneer and the Trustee could "be personally or individually liable only for fraud or acts or omissions in bad faith or which constitute gross negligence" Trust Indenture § 6.01; First Amended and Restated Articles of General Partnership of Mesa Offshore Royalty Partnership ("Partnership Agreement") at § 5.09(a).
- * Pioneer also argued that it was not liable, based on the business judgment rule provision in the Conveyance, which states that the Operator "will conduct and carry on the development, maintenance and operation of the Subject Interests with reasonable and prudent business judgment and in accordance with sound oil and gas field practices." See Conveyance at § 6.01.
- * Pioneer argued that Plaintiffs have no basis for their claim that Pioneer owed a fiduciary duty to the Trust, and that there was no evidence that Pioneer had

breached any of the duties that it did owe: rather, Pioneer's actions were expressly authorized by both the Partnership Agreement and the Texas Revised Partnership Act.

- * With respect to Plaintiffs' claim for civil conspiracy, Defendants argued that the Supreme Court has emphasized the requirement of a specific intent to injure the plaintiff, and that no such evidence exists in this case. Defendants also argued that none of them knowingly participated in another's breach of fiduciary duty, and that, in any event, no such breach of fiduciary duty occurred.
- * With respect to Plaintiffs' claim for fraud, Defendants argued that there was no evidence of any material misrepresentations or omissions or that Plaintiffs and the Trust were harmed by any alleged misrepresentations. Pioneer also argued that it owed no duty to disclose.
- * Pioneer argued that its conduct was permissible under § 11.02 of the Partnership Agreement, in which it "retain[ed] the right to engage in all business and activities of any kind whatsoever (irrespective of whether same may be in competition with the Partnership), and to acquire and own all assets, however acquired and wherever situated, and without in any manner being obligated to disclose or offer such business and activities or assets or compensation or profit to the other Partners or to the Partnership."
- * The Trustee argued that there were numerous provisions of the Trust Indenture that limited or exculpated the Trustee's liability, including § 11.02, which permitted the Trustee to rely on experts, and that "the opinion of any such parties on any matter submitted to them by the Trustee shall be full and complete

authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of any such party.”

- * Defendants also challenged the ability of Plaintiffs’ experts to offer competent expert testimony at the time of trial regarding the alleged hydrocarbon reserves located on the Subject Interests, as well as the damages associated with the alleged failure to recover these alleged hydrocarbon reserves.
- * Defendants also generally challenged whether Plaintiffs have any competent evidence of any damages whatsoever.
- * Defendants would have asserted at trial numerous affirmative defenses as well.

In sum, the Court finds that there are substantial legal and factual issues that make the likelihood of Plaintiffs ultimately obtaining a judgment uncertain, and that there is uncertainty about Plaintiffs’ ability to prove liability and damages. By settling, Plaintiffs, the Trust, and its Unit Holders avoid the significant risks of losing their case on these or the other grounds asserted by Defendants.

b. The apparent difficulties in enforcing the claims through the courts. As set forth above, the Plaintiffs, the Trust, and its Unitholders in this action face risk to successfully pursuing their claims on the merits, which would have imposed difficulties to Plaintiffs’ attempt to enforce these claims in this court.

c. The collectibility of any judgment recovered. There does not appear to be any impediment to collection of any judgment recovered in this case.

d. The delay, expense, and trouble of litigation. Continuing to litigate the claims in this case, rather than to settle them, would have resulted in significant delay, expense, and trouble. This is a complex case. The trial was estimated to last at least five weeks. It

would have involved thousands of exhibits; required the testimony of many witnesses, including costly experts; and required the time and expense not only of the parties' attorneys, but also of the parties and their representatives. Each of the parties to the settlement had indicated a willingness to take this case all the way to the highest court if they had lost, and the cost of briefing and arguing these appeals would have been significant.

Though Plaintiffs sought a continuance of the April 2009 trial date, the Court denied the motion without prejudice pending the mediation of the matter. Thus, the settling parties faced immediate and significant litigation expenses had they not reached this settlement. By settling, the parties avoided the expense of both such a significant trial as well as the appeals that would follow therefrom. Furthermore, by settling, Plaintiffs, the Trust, and its Unit Holders avoid the risk of losing at trial, which is of significant value.

Had the Court ultimately continued the cause, delay of the case presents another problem for the Trust and its Unit Holders: the Trust is out of money, yet continues to incur expenses. Continued litigation of the claims of this case will only result in increased expenses that will ultimately be deducted from whatever recovery the Trust obtains (if any). Furthermore, even if Plaintiffs ultimately obtained a judgment, the Trust might still have to pay substantial reimbursable expenses owed to the Operator and General Partner before the Unit Holders could receive any of the proceeds. Similarly, Pioneer and the Trustee would both be entitled to recoup substantial legal fees incurred in defending this suit if they successfully prevailed against such claims. Moreover, the Trust's \$5 million credit facility loan from JPMorgan would have to be repaid. These recoupments would occur before any distribution would be made. *See Partnership*

Agreement § 5.10; Conveyance at 20. As such, any suggestion that the settlement is unfair because reached during an economic crisis is obliterated by (a) the unwillingness of the Court to wait for economic recovery to bring the case to resolution and (b) the crippling Trust expenses to the Unit Holders themselves by waiting.

e. The amount of the compromise as compared with the amount and collectibility of the judgment. The value of the settlement is substantial. The settlement consideration is at least \$19 million in cash, plus the value of Pioneer's 50% interest in the Brazos Block A-39, the proceeds from the sale of which Pioneer has agreed to contribute to the Trust.

In addition, JPMorgan has agreed to forgive the repayment of the existing \$5 million loan to the Trust. Finally, as part of the settlement, Pioneer has agreed not to pursue an indemnity claim against the Trust or Partnership that have would exceeded \$5 million.

Because this case has not been tried, there is no "amount of the judgment" to compare to the amount of the settlement. However, Defendants argued persuasively that Plaintiffs were not harmed (and indeed, were benefited) by any of Defendants' actions, and that, in fact, Plaintiffs have never even quantified their damages. Indeed, at the time of the settlement, Plaintiffs had yet to delineate, through expert testimony or otherwise, a specific, competent damages figure. The settlement consideration is generous in light of the difficulties in proof of damages faced by Plaintiffs, as well as in light of the other impediments Plaintiffs faced on the merits of their claims.

f. Objections

2009 Unit Holders Group ("the Group) object to the proposed settlement in part. See Report of Agreement Regarding Attorneys' Fee and Expense Claim and Supplementary

Objections to Asset Liquidation Plan in Proposed Settlement. Originally, the Group, which is comprised of a sizeable number of active Trust unitholders, objected to several aspects of the Settlement Agreement; namely, the adequacy of the original notice provided the unit holders, the scope of the proposed releases, the amount of attorneys' fees, and the manner of liquidating the remaining oil and gas interests. The Group and the Settling Parties engaged in post-objection negotiation in an effort to satisfy the Group that the Settlement was in the unitholders best interests.

The sole issue raised in objection to the settlement by the Group, after such negotiation and a resultant modification of the Settlement Agreement outlined below, concerns the requirement that the oil and gas interests beneficially owned by the Trust be liquidated through a public auction process, without first affording the unit holders the opportunity to vote on whether they would prefer an alternative, commercially reasonable, method of disposing of those interests. Having considered this objection, in context with the totality of the settlement, the risks of losing the value brought by the settlement, and the lack of tangible, lawful, and workable methodology for affording the desired vote, the Court overrules the objection.

Gordon A. Stamper, also an Intervenor, objected to the proposed settlement. The basis raised appears to be directed to (a) the merits of the claims against the Defendants; (b) the authority of Plaintiffs to settle those claims; and (c) the concern that he has claims that are separate and distinct from those settled. The objections are overruled.

Other objections. Though the above objectors appeared at the hearing, there were others who placed objections on file with the Court. By far, the overwhelming tenor of these objections pertained to the loss of the Trust. However, the plain language of the Trust Agreement, not the claims pending in this litigation, is the driving force behind the liquidation of the Trust. While

the Settling Parties have vigorously debated throughout this litigation whether the Trust had already terminated by its terms, it is undisputed that the terms of the Trust envisioned a termination of the Trust under circumstances which have now occurred. This Court does not have the power to rewrite the terms of the Trust to avoid such termination; nor would it be in the Unitholders best interest, as the economic consequences of forestalling the termination would fall on the unitholders ultimately. These objections are overruled.

In conclusion, with the exception of one factor – the collectibility of the judgment – all of the *Cogdell* factors compel a finding that the Settlement Agreement is fair to and in the best interests of the Trust and its Unit Holders and should be approved subject to the following modifications agreed to by the Settling Parties and the 2009 Unit Holder Group:

Settlement Agreement Section (B)(8) “Release of Plaintiffs” is modified so as to include the following language after the first reference to Plaintiffs in line 5: “in all of their capacities including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine or otherwise”;

Settlement Agreement Section (B)(11) “Release of the Trust and Partnership” is modified so as to include the following language after the third reference to Plaintiffs in line 6: “in all of their capacities including on behalf of the Trust and/or the Partnership and/or the Unit Holders as authorized by the Trust Fund Doctrine or otherwise”;

Settlement Agreement Section (B)(11) “Release by the Trust and Partnership” is modified so as to include the following language after the first reference to Defendants in line 6: “in all of their capacities.”

Settlement Agreement Section (D)(1)(c) “Minimum Bid/Right of First Refusal Agreements” is deleted in its entirety;

Settlement Agreement Section (D)(1)(d) “Completion of Sale” is modified so as to delete the first (3) sentences and the first “conditional” (“if”) clause and the disjunctive word “or” from the fourth sentence of said section.

The fact that a judgment – if obtained despite the serious impediments on the merits of the claims – may be collectible is far outweighed by the many other factors establishing that the Settlement Agreement is more than fair and in the best interest of the Trust and its Unit Holders.

VII. Other Potentially Applicable Fairness Considerations Support Approval

A. Conclusions of Law with Respect to Other Potentially Applicable Fairness Considerations

18. Although the Court concludes that *Cogdell* articulates the factors that must be considered when determining whether a settlement agreement is fair and in the best interests of a Trust, the Court out of an abundance of caution also addresses the factors set forth in determining whether a transaction between a fiduciary such as the Trustee and its beneficiary is fair:

- (a) whether there was full disclosure regarding the transaction;
- (b) whether the consideration (if any) was adequate;
- (c) whether the beneficiary had the benefit of independent advice;
- (d) whether the fiduciary benefited at the expense of the beneficiary;
and
- (e) whether the fiduciary significantly benefited from the transaction as viewed in light of circumstances existing at the time of the transaction.

Lee v. Hasson, No. 14-05-00004-CV, ___ S.W.3d ___, 2007 WL 236899, at *15 (Tex. App.—Houston [14th Dist.] Jan. 30, 2007, pet denied).

B. Findings of Fact with Respect to the Court's Finding that Other Potentially Applicable Fairness Factors Support Approval of the Settlement Agreement

17. As with the *Cogdell* factors, the Court finds that the *Lee* factors also compel a finding that the Settlement Agreement is eminently fair, as set forth below.

- (a) Whether there was full disclosure regarding the transaction. The Court finds that there was full disclosure regarding the Settlement Agreement. As set forth above, the Unit Holders were given ample notice of all details of the Settlement Agreement. The Settlement Agreement and related documents were posted to the Trust's website www.businesswire.com/cnn/mesaoffshoresettlement.htm, and notice of the settlement terms and the posting was provided to the Unit Holders via U.S. mail, SEC filing, and

press release. In addition, Unit Holders were provided a phone number to call and request copies of the Settlement Documents.

(b) Whether the consideration (if any) was adequate. As discussed with respect to the *Cogdell* factors, above, the consideration to be paid in settlement is substantial, and more than adequate to compensate for the claims released.

(c) Whether the beneficiary had the benefit of independent advice. The beneficiaries of the Trustee's fiduciary duty – here, the Trust and its Unit Holders – had the benefit of independent advice from the skilled and experienced counsel for Plaintiffs MOSH Holdings, L.P., and Dagger-Spine Hedgehog Corporation, and were not required to rely on the advice of the Trustee with respect to the Settlement Agreement. Plaintiffs and their counsel have agreed that the settlement is fair and in the best interests of the Trust and its Unit Holders.

(d) Whether the fiduciary benefited at the expense of the beneficiary. There is no evidence that the Trustee (or, for that matter, any of the Defendants) benefited at the expense of the Trust in entering this Settlement Agreement; to the contrary, the Settlement Agreement requires the Defendants to pay substantial consideration to the Trust, in exchange for a release of claims that would have faced substantial impediments at trial.

(e) Whether the fiduciary significantly benefited from the transaction as viewed in light of circumstances existing at the time of the transaction. Although the Trustee and the Defendants benefited from the transaction, in that they received releases and did not have to go to trial, the benefit was not significant in light of the circumstances of the

transaction – specifically, in light of the substantial consideration the Defendants paid in exchange for the release of claims that faced significant impediments to success.

In sum, even when considered under the *Lee* factors, the Settlement Agreement is entirely fair to and in the best interest of the Trust and its Unit Holders.

VIII. The Attorneys' Fees Sought for Plaintiffs' Counsel Are Necessary, Reasonable, and Fair

A. Findings of Fact with Respect to the Court's Finding that the Attorneys' Fees Sought for Plaintiffs' Counsel are Necessary, Reasonable, and Fair

18. Plaintiffs MOSH and Dagger-Spine together with the 2009 Unitholder Group have pursued claims asserted in this lawsuit for the benefit of the Trust and the Unit Holders. As a result the attorneys for these forementioned parties are entitled to reimbursement of fees and expenses which they have incurred under the Trust Fund doctrine.

19. The nature of this case has required extensive funding of expenses by legal counsel. This case has been extraordinarily expert intensive, and extensive funds have been paid or are owed to expert witnesses. There have been numerous depositions in the case. There have been many hearings in the case, including those requiring presentation of evidence. In the course of this case, there have been at least three temporary injunction hearings, two settlement conference hearings, and appeals, including to the Supreme Court of Texas.

20. In addition to amounts spent on expenses, counsel have expended an enormous amount of time in the prosecution of this case. The time actually expended in the pursuit of the case and the value of this time are in the thousands if not 10,000 hour range with reasonably associated commercial fee rates.

The foregoing amounts represent the Lodestar amounts for the attorneys because the rates and time are reasonable.

21. This case has been one in which the financial burden and the time burden has been extensive and the means of meeting these demands has had to be readjusted repeatedly over the course of this case. For example, straight hourly rates have given way to blended rates and partial contingences. Other counsel have had contingent fee agreements which were then adjusted to accommodate other counsel. All of these changes have been necessitated by the enormous expense and difficulty of pursuing this case. The dedication of counsel to the case has been reflected in their willingness to make adjustments in their compensation arrangement and as well as to continue with the case in the face of difficulty being paid or compensated at times.

22. Accordingly, the parties on the Plaintiffs' side of the case have agreed that the following represent the fees and expenses earned by respective parties: \$7,750,000. The parties on the Plaintiffs' side of the case have further agreed that \$150,000 of this amount shall be paid to the 2009 Unitholder Group as reimbursement of its legal fees and expenses.

23. The Court has carefully reviewed the recommendations of the parties and heard testimony of counsel and reviewed the underlying data and finds that the fees and expenses are reasonable and should be born by the settlement proceeds which they have generated for the benefit of the Trust and the Unit Holders. Accordingly, it is ordered that these amounts be paid to the respective parties and their attorneys out of the settlement proceeds as set forth above.

24. In reviewing the foregoing fee application, the Court has considered the factors set forth in Johnson v. Georgia Highway Express, 488 F.2d 714 (5th Cir. 1974). These factors are analyzed as follows:

- (1) Time and labor. The paragraphs above document the time and labor involved. This case has been lengthy and the Court has been personally involved in many of the hearings and motions. The Court has reviewed numerous motions and after review of the record of

this case, the Court is convinced that the time and labor was actually spent and is reasonable for the case.

- (2) Novelty and difficulty of questions. This case involves truly novel and difficult questions. There are many questions raised in the settlement hearings; discovery hearings; and summary judgment proceedings which can only be described as novel and difficult. Further, the defendants sought appellate relief from this Court's decisions on threshold, complex questions to both the Court of Appeals and Texas Supreme Court.
- (3) The skill requisite to perform the legal services properly. This is a case in which some of the most esteemed counsel in Harris County have been present both for the Plaintiff and for the defense of the action. The complexity of the case required experienced counsel, and such experience is present in this case.
- (4) Preclusion of other employment by the attorneys due to the acceptance of the case. Given the amount of time involved, it is clear that this case required a substantial commitment of time and involvement of this case. The parties were precluded to some extent from being involved with other cases. The senior counsel were often present.
- (5) Customary fee. As indicated above, I have reviewed the fees and the fees in question are well within customary fees in the Harris County area.
- (6) Whether the fees are fixed or contingent. As indicated above, this case has represented every combination of fee schedule possible including straight hourly rates, blended rates, partial contingent fees, complete contingent fees. All of these have been necessary at various times in the case to move the case forward and to obtain both time, labor and the financing necessary to pursue the case.

- (7) Time limitations imposed by the client or the circumstances. In this case there have been several trial settings. Frequently the lawyers have been up against severe deadlines including filing of expert reports, challenging expert reports, motions and other matters. As a result because of the time deadlines, at times work was required to be done on a very intense schedule.
- (8) The amount involved and the results obtained. This case originally was a claim in excess of \$1 billion. As time has progressed, the Midway Well on Brazos Block A-39 has proven to be less productive than originally believed. Nonetheless, the Plaintiffs have vigorously pursued and attempted to prove the continued viability of Block A-39 as a drilling prospect. As a result, the case has involved very large potential amounts of money throughout. Notwithstanding the issues in the case as indicated above, Plaintiffs have obtained value and benefit to the Trust in excess of \$30 million.
- (9) Experience reputation and ability of the attorneys in this case. Counsel are all experienced attorneys with the reputations for trying cases.
- (10) Political undesirability of the case. This case does not involve "political" undesirability, but the Court notes that some of the Defendants, in particular JPMorgan Chase, are prominent entities. At least one expert in the case declined to work for Plaintiffs and indeed went to work for JPMorgan Chase because of concerns over who was the Defendant in the action.
- (11) Nature and length of the professional relationship with the client. For Boyer & Ketchand, the only relationship has been this case. Mr. Spagnoletti and Kim have represented principals of MOSH in other litigation. Mr. Buzbee has only represented the parties in this particular action.

(12) Awards in similar cases. This is not a case where all benefits flow to the counsel. Very substantial cash benefits are flowing to the Unit Holders which would not be obtainable otherwise. The Trust itself was insolvent and yet the Plaintiffs have obtained a positive cash value for the Trust. When the total value of the case to the Trust is viewed in terms of the contingency, the contingency is only about 20%. From the Court's experience, this is a low contingency, especially in cases in which counsel are required to expend large amounts of money for numerous experts. Suits over royalty trusts are rare, so the nature of this outcome needs to be evaluated by litigation experience in general.

25. Accordingly the Court approves as necessary, reasonable, and fair attorneys fees and expenses in the amount of \$7,750,000 to be paid as set forth in these Findings of Fact and Conclusions of Law and in the Final Agreed Judgment.

IX. The Intervenor's Claims

A. Conclusions of Law with Respect to Interventions

26. An intervention may be stricken if (1) it is not "almost essential to effectively protect the intervenor's interest," or (2) if the intervention will "complicate the case by an excessive multiplication of issues." *Guar. Fed. Sav. Bank v. Horseshoe Operating Co.*, 793 S.W.2d 653, 657 (Tex. 1990).

B. Findings of Fact with Respect to Interventions

27. Gordon Stamper, Robert Miles, Keith Wiegand, Michael Brown, and Benjamin J. Ginter ("the Intervenor's") have intervened in this case. All claims well plead by those Petitions in Intervention appear to be addressed and resolved by this Settlement Agreement.

28. Motions to strike those interventions are on file with this Court. However, Intervenor's do not appear to have been provided notice that, in addition to approval of the

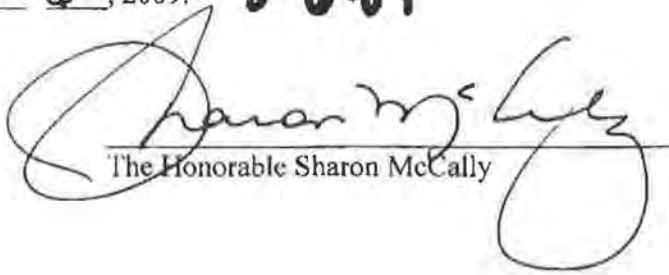
settlement, the Court would consider such motions. Thus, the Court declines to resolve those motions absent (a) notice and an opportunity for Intervenor to be heard – which may be by oral hearing or submission or (b) authority for the Court to adjudicate such Interventions by approval of the Settlement.

X. Conclusion

In conclusion, the Settlement Agreement is APPROVED as fair to and in the best interests of the Trust and its Unit Holders.

All objections to the Settlement Agreement are hereby DENIED.

Signed on August 6, 2009. **8.6.09**


The Honorable Sharon McCally



I, Chris Daniel, District Clerk of Harris County, Texas certify that this is a true and correct copy of the original record filed and or recorded in my office, electronically or hard copy, as it appears on this date.

Witness my official hand and seal of office this November 2, 2011

Certified Document Number: 43325716

Chris Daniel, DISTRICT CLERK
HARRIS COUNTY, TEXAS

In accordance with Texas Government Code 406.013 electronically transmitted authenticated documents are valid. If there is a question regarding the validity of this document and or seal please e-mail support@hcdistrictclerk.com

CAUSE NO. 2006-01984

MOSH HOLDING, L.P.,
Plaintiff,

v.

PIONEER NATURAL RESOURCES
COMPANY, *et al.*

Defendants.

§ IN THE DISTRICT COURT OF

§

§

§

§

§

§

HARRIS COUNTY, TEXAS

ES L E D
CHARLES BACARISSE
District Clerk

JUN 19 2007

Harris County, Texas

334TH JUDICIAL DISTRICT

Deputy

ORDER

Pending before the Court is the Motion to Approve Settlement Agreement and Petition for Instructions filed by JPMorgan Chase Bank ("JPMorgan").

This lawsuit arises from the operation of the Mesa Trust that was created in 1982 to (a) hold an interest in the Mesa Offshore Royalty Partnership ("the Mesa Partnership"); (b) discharge liabilities incurred in the operation of the Mesa Trust; and (c) distribute the remaining amounts to the beneficiaries of the Mesa Trust.

Defendant JPMorgan is currently the trustee of the Mesa Trust.¹ Defendant Pioneer National Resources USA, Inc. ("Pioneer") is the managing general partner of the Mesa Partnership.

In 2003, Pioneer entered into a farmout agreement with Defendant Woodside Energy (USA) Inc. ("Woodside") which is largely the basis of this suit. In 2005, MOSH Holding, L.P. ("MOSH"), a beneficiary of the Mesa Trust, brought this lawsuit alleging direct and derivative claims against Pioneer and Woodside. MOSH also sought an injunction to prohibit termination of the Mesa

¹ JPMorgan advised MOSH of its intent to resign as trustee in November, 2005. After MOSH sought appointment of a temporary trustee, JPMorgan withdrew its resignation.

Trust. JPMorgan declined to pursue the claims against Pioneer and Woodside on behalf of the trust, but authorized MOSH to do so at their own expense. MOSH then amended its suit to include claims against JPMorgan.

On January 26, 2007, JPMorgan executed the settlement agreement at issue (hereinafter "Mutual Release and Settlement Agreement") conditionally settling all of Plaintiffs' claims against Pioneer and Woodside. By the instant motion, JP Morgan asks this Court to approve the Mutual Release and Settlement Agreement and dismiss with prejudice the claims asserted in this lawsuit against Pioneer and Woodside. See Proposed Order Approving Mutual Release and Settlement Agreement and Dismissal with Prejudice, filed June 4, 2007, p. 1. Neither the motion nor the proposed order approving settlement purport to settle claims raised by the Plaintiffs against JPMorgan itself, though the settlement certainly compromises claims in which JPMorgan is alleged to be a joint-tortfeasor (i.e. claim against Pioneer for aiding and abetting *JPMorgan's breach of fiduciary duty*). Further, the majority of the provisions in the Mutual Release and Settlement Agreement pertain to the dissolution of the trust and sale of trust assets, though that relief is sought primarily against JPMorgan. Thus, it is clear that the settlement will impact the remaining claims against JPMorgan.

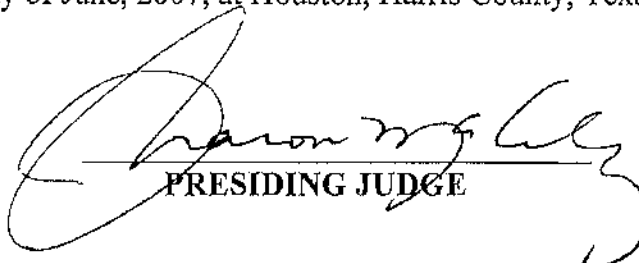
The Mutual Release and Settlement Agreement, as amended post-hearing, is an agreement between "the Parties" who are Pioneer and the Mesa Trust, through the Trustee. See Mutual Release and Settlement Agreement, p. 1.

Woodside is not a party to the agreement though, by promises between the Parties, Woodside receives a release of all claims.

Section 192 of the Restatement (Second) of Trusts permits a trustee to "compromise, submit to arbitration or abandon claims affecting the trust property, provided that in so doing he exercises reasonable prudence." Comment *d* to that section provides that "[i]f the trustee is in doubt whether he should compromise or submit to arbitration a claim, he may ask the instruction of the court or he may agree thereto conditionally upon the subsequent approval of the court." By its motion, JPMorgan invokes Comment *d* and asks this Court, *in equity*, to approve the settlement.

The Court determines that the Motion should be DENIED. Having viewed the Mutual Release and Settlement Agreement in the context of (a) the identity; interests; and alignment of the parties negotiating; (b) the nature of the claims pending; (c) the breadth of the claims compromised and released; (d) the consideration (or lack of consideration) for such releases; (e) the validity of Plaintiff's claims and the potential recovery therefor; and (f) the Trust's potential exposure should the claims proceed, the Court concludes that it cannot approve the settlement.

SIGNED this 19th day of June, 2007, at Houston, Harris County, Texas.


PRESIDING JUDGE

Ormond October 2010 Presentation to Beneficiaries

John Piper. John Piper. Are you ready to start?

Yes sir.

So, Pattie's gonna start. I don't need to introduce her. Everybody knows her, right?

Q: Everybody knows her.

[Clapping]

P: I'm really, really happy. It's wonderful, wonderful to see all of you.

Q: Good to see you too.

P: Thank you. You are the owners of the most remarkable, most remarkable asset that I have seen in 35 years of being a landman in the State of Texas, and you are most fortunate and blessed because nobody gets a second chance at something like this. It's remarkable, and it really is – it's the birth place of the Eagle Ford development in Texas. We just had the DUG conference here in San Antonio, and DUG is, of course, developing unconventional gas, and the Eagle Ford play is about unconventional gas, natural gas and it is the fuel of the future - actually, it should be the fuel of today. And that is something that you can have an impact on as owners of this asset and as citizens of this country and you need to take that seriously because it is only with your will power and your voice that that will happen and that will benefit you as owners of this asset and as citizens of this country.
2:09

Q: Hear, hear.

P: Slide– this is your asset. It is 207 square miles of real estate in La Salle and McMullen Counties. This is the dividing line – I don't have my pointer with me.

Q: Thank God.

P: This is the dividing line between McMullen and La Salle Counties, and it is a contiguous, meaning one piece, all connected, piece of property, and I was asked to close it on your behalf in 2005, to close your trust, because it wasn't making enough money. And I looked at it, and I said, "You know. It ought to

be making more money because the best place to find oil is where it is producing", and there are 46 gas reservoirs located on this piece of property that has been producing since the 40's. There are 43 oil reservoirs – they are all staked – they are producing from 17, well actually from 600 feet down to – before the Eagle Ford, 11,000 feet. The Edwards produces at about 11,000 feet up here. Most of the production is Wilcox, and it produces around 5,200 to 5,800 feet. And I think in 2005 when I joined your team, you were getting – I don't know – around \$600,000 a year or so in royalty, which among 30,000 shares is not a great deal when the bank takes 2-1/2% and there are miscellaneous fees associated with it. 3:47

P: You were losing money. It wasn't generating a great deal of income. It should have been generating more. The oil business wasn't in very good shape. I'm a landman, I'm not a banker, and you needed a landman, and the bank hired me to be a landman, not to be a banker, so I did what landmen do is - I got to work trying to market this and tried to turn it into an oil property which is what it is. It is a mineral asset. 4:17

P: This is where you're located within the state of Texas. Here is San Antonio where we're today, and this is where your property is. I've got a little oil rig here. You can't see. It's hard to get to. And we can go to the next frame. This looks really complicated, but I wanted to show you what I showed people when I showed them your asset. This is an outline of your asset, and I divided it into quadrants because I tried to manage this thing as though it were pieces – pieces of a pie that I could say to people, okay, this is the Pioneer acreage. Pioneer has 15,000 acres here that they're holding, but the minimum production, six wells holding 16,000 acres. Since 1940, they've been holding 16,000 acres. It's ridiculous. No development here. There's actually a little development over here that people walked away from in the 80's because we had \$10 oil and \$2 gas – it didn't pay to produce it. No activity down here at all. 5:26

P: This is a conglomeration of leases. Conoco has deep rights. They've been sitting on it since the 70's doing nothing. Whiting Petroleum, a very big company out of Denver, owns most of the rights to the Midway, which is another name for Wilcox, which goes to about 5,800 feet. Actually down to about 6,200 feet on the south end. Things get deeper as you go south – as you go down to the coast, formations get deeper. Uh – it's like uh - seas came up and down, and up and down, they laid down these layers, sand and shales, and so as you approach existing bodies of water, the sands are thicker, so they're deeper. So what's at 5,800 feet up here is probably about 6,200 feet down here. Up here, there was very little development. There was one little

Olmos well right here that was completed in the 1990's, and it was that company that shocked 60,000 acres of seismic data that I found an envelope that had never been opened on a tape in a file. When I was going through your files, seeing why we should not close this, I looked at this tape and I said I wonder what's on this. I wonder why no one ever looked at it. So I hired a geophysicist to show it to, and I bought \$150 worth of well data so I could tell how deep some of these structures were, and I invited your trust officer, a man named Al Leach, who believed in you enough to spend that money, and we looked at it and we saw some geology that looked very promising, so for that \$1,500 expenditure I think we made you a little more than a million dollars on this. It was a pretty good return. 7:37

P: And I promised him that, if you give me this \$1,500 – I promise you we will make this back. We will show a profit. We will get this money back. I just know it. So we leased a couple of things. We leased Broad Oak, – we leased some acreage up here - I think we did a million dollars or so to Broad Oak, and they wanted to drill some Edwards wells. They had done some work with Pioneer, and they thought this extended across here. So they leased this. And then we entered into some other arrangements to shoot some additional seismic. 8:16

P: Next slide – This is what some seismic looks like. This is - I think the Wilcox – oh, this is the Chalk - seismic – 3-D seismic has to be worked – It has to be interpreted by a geoscientist. And I think Ellen – is Ellen here? Ellen knows all about this. This is – we hired a geoscientist named Bob Buehler, and he interpreted some of the seismic data for us, and we went to the North American Prospect Expo, and we marketed your prospect, your acreage, and we talked to exploration companies and showed them some of the work that we did – to show them what your acreage was capable of – what kind of – what the, what the, what the formations look liked, looked like under the surface. And this was just the Chalk. There was a series of distinctive structures that transversed your entire asset. We knew the Chalk was there. And when we looked at logs from wells drilled through the Chalk on your acreage, we wondered why never, no one ever attempted to complete any of those wells. But most of you know from reading on the blog and on the Internet, that the Austin Chalk is fed by the Eagle Ford. The Eagle Ford is the source rock for the Austin Chalk so we're seeing in all of these wells, and all this seismic data was that the Eagle Ford was productive. We just didn't know that there was a way to produce it. 10:01

P: Next slide – your acreage produces or it's capable of production at so many depths. We have Queens City at 1,600 feet. We've got the Wilcox – we've got

about 1,000 feet of Wilcox stands. You've got Olmos sands below the Wilcox. You have Austin Chalk. You have Eagle Ford. You have below the Eagle Ford, you have Pearsall, which is something we'll talk about later. Below the Pearsall, you have Sligo which we're going to talk about too and there are Sligo prospects delineated on your acreage. We know that there's three Sligo prospects on the South Texas Syndicate. Below the Sligo, we have Hosston sands. And this is a log, a mud log from a 1964 well, and it's got the mudlogger's notes on it, and these are handwritten notes from that well and you'll note that – I don't know if you can see it – but he says, "Recommended show by Schlumberger, gas show, mudlogger gas show. Gas shows 42 net feet. Log analysis – gas, DNM, Schlumberger, gas show. This well actually tested 1,000 mcf gas per day. It wasn't completed. 11:41

P: This was in 1964. They weren't looking for gas. They didn't know how to produce it. They didn't know how to complete it. They had no idea – this, this was – this well tested a thousand mcf – a million a day, it was a million cubic feet a day with no completion. 20,000 feet – 20,000 feet. I don't know if you can appreciate what a tremendous task and event that was in 1964. I mean, that's like having an electron micro – in my mind – and Ellen, tell me if this is true. That's like having an electron microscope in a teacup. For me, that's what that's like. 12:28

P: So, it's a remarkable asset. You have production capability from very shallow to deeper than we're capable of producing economically today. 12:42

P: Next slide. The first Discovery well for the Eagle Ford was of course on STS, and it was the Petrohawk STS No. 1. It came on in October of '08.

Q: That's the first Eagle Ford well?

P: It was the first Eagle Ford in the country, and the initial production rate was \$3 million a day, and 85 barrels of oil. The cumulative gas to date is a little over 1 bcf of gas. That's two years.

Q: What's that mean? What's that mean?

P: Well, a billion cubic feet - it's a million mcfs. And 26,500 barrels of oil. It's a pretty good well for a 4,000 foot lateral when it was a test well we really didn't know how to complete it. 13:35

P: Um – Bert Hayes-Davis told you today that there is a correlation between initial production rates and estimated ultimate recovery, and this is true.

Drilling Info is a service I use and most people in this industry use. It is a production database, but more than that, it also offers some engineering tools, and they had a talk at DUG— and they also talked about this correlation between initial production and ultimate recovery from a well. It just so happens that several days ago I was working on this presentation, and I downloaded all of the Eagle Ford wells in the gas condensate window, and I was looking at a way to correlate how to pick the best wells. How, what can I look at to say which well is going to last the longest — which well is going to produce the most? And so I parsed things and I work them around — and I'm a numbers person, so, I fool around with them — and I, I sat there for several days, I guess, and I parse them and I came up with the same (inaudible), that there is a direct correlation between initial production and ultimate recovery. Initial production and cumulative gas. So, if you look at this and then you look at all of the gas condensate wells drilled in this trend to date, you have the best well drilled in the entire gas window located on your property and that is the Common Resources. It's now Talisman. STS 1-29 well which potential 9 million cubic feet of gas. It's dry gas. It's an awesome well. It came in at the highest initial production rate and to date it remains the highest producing well in the entire trend. Common — Talisman is trying to recreate those results with each well they drill. 15:45

P: H. L. Tompkins told you today that Talisman is going to bring a gas factory to your property. You know, I don't know when H.L. found that out, when they told him that, but man, the wires should have been on fire when he found it out because that is the best news you could have received. The gas factory is what Encanta is doing — it's what Talisman is doing — it is what BP is doing. It's what every major gas producer in the world is doing. Petrohawk is not doing this. The reason Petrohawk is not doing this is because Petrohawk really is not a dry gas player. They are a condensate oil player. And we'll talk about that in a minute, but — 16:35

P: Next one — Oh, I wanted to tell you. That one well in October '08 — go back to that.

P: Oh you can't, it's nevermind. Don't, don't, don't, dont. One well October '08 fast forward two years. This is what it looks like today. Ignore this. This is an artifact, these wells don't count. This is what it looks like today. This is Eagle Ford production and drilling today. There is no permit shown. There are 206 completed gas wells, 104 completed oil wells. In two years. That's what your well — one well two years ago created. Does it, does that mean something to you? I mean — I think that's awesome. You know, for me, I don't think

anything better could happen to me professionally ever, ever. That's, that's just the best thing ever. 17:40

Q: That came from you taking seismic to NAPE?

P: Yes. *[Clapping]* So that's just seismic. But that's, that's something you owned. That's, that's that's your property, and that's, that's you own that. That's in JPMorgan's vault. You own that. You had that. And if you hadn't had that, this wouldn't have happened. And Charles Cusack, who is the executive vice president of exploration for Petrohawk. I called him about four weeks ago and I told him I was really unhappy with him because a geologist with a company called First Rock gave an interview and he credited the discovery of the Eagle Ford to his own work. The credit for the discovery of the Eagle Ford does not belong to Greg Robertson or First Rock. The credit for the discovery of the Eagle Ford belongs to the geophysical data that South Texas Syndicate provided to Petrohawk and gave them to work, which, gave them the basis to drill that first well. So Charles is going to correct that when he gives his paper to the Geophysical Convention in Houston next week because you deserve that credit, not Greg Robertson. It's your data and it was your effort because you paid for that effort and ensured it. It's your asset. 19:01

P: And I think that Jack and Tom and John and Carter and all the rest of you know this and it is in trust and it is important that it stay a single entity because it has value because it is a single entity. But you own it. It does not belong to JP Morgan, it belongs to you. And it needs to be managed as though it belonged to you. And you need full disclosure and full information and you're entitled to all of it. You're responsible for all of this, I'm not. 19:47

P: Would it have happened eventually? Yeah. It would have. It happened in October of 2008 because of you, and it happened well because of you because you had the data to make it happen. Nobody else had it. You had the 3-D data to allow them, to allow them to delineate it. 20:06

P: Next slide. Oh, the difference, let me say one thing about that other thing. Not all those wells are on stream. There's not gathering lines to all of those gas wells, so they're not all on production. 20:20

P: The Eagle Ford activity in La Salle and McMullen counties. This is LaSalle County, here is McMullen. Your property is roughly here. These are just the two counties. I excluded everything else. But you can see that this is really the heart of a gas and gas condensate window. 20:42

- P: This is a gas condensate trend. And that's where the majority of the development is because it's most productive and most profitable because of the heavy liquid content of the gas. 20:57
- P: Okay, so the Eagle Ford is a geographic trend. It extends from Mexico up into east Texas. I think it goes on into Arkansas, I could be wrong. But I think it goes all the way across Texas. And it outcrops somewhere in the east. It is accessed by horizontal drilling. I think everyone here is familiar with horizontal drilling. I've got a little slide on it I can show in a second. The STS #1 was the discovery well. On your acreage, the most profitable (inaudible), the most profitable portion of the trend is in gas condensate window. A large portion of your acreage is in dry gas. There are no liquids associated with that. So the natural gas price limits the number of wells you can drill. Natural gas sells at a very low price currently it's around 3.40, something like that. 21:56
- P: Gas condensate, condensate is a high grade, you can think of it as a high grade of oil. It sells at an oil price plus a premium. Plus the value of the gas. So, it's got a high value. The more condensate, the higher the value of the gas stream. It's one of the reasons I asked JPMorgan today, where's the condensate in these numbers? Where's the oil? I notice in the letters that you get they report to you the oil barrels on your little graph, your little table here, but they don't tell you how many barrels of condensate they are selling. So how can you know how much money you're making. It doesn't make any sense. If they add the value back into the gas traded, that would make sense. That would raise the value of your gas stream. You can have some sense of what your wells are worth, but you can't get to your income from the information they give you. There's no transparency in your monthly statements. 22:51
- P: You're not in the oil window, but Petrohawk who owns most of your leases, is a primary player in the oil window. I talked to Petrohawk about development of your asset, and they do intend to step up their development. They're not going to simply keep pace with Reece Exploration. They are going to become more aggressive than they have been. It depends in some part about – on how cooperative their lessee is, but they are going to develop. They are not going to use the gas factory approach. They do not plan to drill dry gas until they have to or unless they must drill to hold a lease. They will focus only on the condensate. So if a lease is located where the northern part of it is in the gas condensate window and the southern part is in dry gas window – you can expect all of the wells they drill to be in the north part. That might not be such a bad idea because if gas prices are low, you want to save that production until the gas prices rise. 24:17

- P: On the other hand, you'll remember that Bert Hayes-Davis mentioned that there are pipelines coming in who are willing to pay a premium for filling their pipeline. Under your oil and gas leases, you have a right to take your production in kind. You don't have to sell it to your lessee. So your trustee, or whoever is managing your production, can sell that and enter into a contract to sell your gas at a higher price than the market is selling for. So, you're not limited by the spot market price on gas – if you have a pipeline company that's in need of filling its pipeline, you can sell your gas at a premium and you can, you don't have to hedge it – you don't have to get into a sophisticated contract where you have to have an expense connected with the sale. You can simply enter into a one or two year contract and sell your gas at a premium. 25:24
- P: I don't think JPMorgan is really on top of what is happening in that market and is not keeping pace with what landowners are doing generally. 25:33
- P: This is a little diagram of horizontal drilling. I, does everybody here know what horizontal drilling is? Is there anybody who doesn't? Let's skip it.
- P: This is the same slide that Bert Hayes-Davis showed you. It's generally available – they left out the credit. This is an EOG slide. It's copyrighted. It needs to – it's EOG's. EOG is of course Enron Oil & Gas. Does everybody remember Enron? It's based on 2-D data. Global has now shot a great deal of this, and actually JPMorgan didn't tell you today because they didn't know but the 3-D shoot on your entire asset is finished, and it is processed, and it is in _____'s hand. So if JPMorgan doesn't have the data, shame on them. They should. Their lessees have it. 26:30
- P: Here is your acreage. Here and you're in the wet gas window, part of you and part of you is in the dry gas window – in the lower portion. So you can see, this doesn't come all the way from Mexico, but you can see how it trends up into East Texas. This is where Petrohawk is playing and EOG and Common and Talisman, Talisman and Hunt and let's see who else – Newfield and Encanta and BP are all playing in the gas condensate window. Most people who are long-term most companies that are long term gas players are in the gas condensate window because they believe that those wells will last longer – they will have a longer life. 27:23
- P: I ran the economics on the Common 129 well, Talisman STS 129 well. That well at current decline rates will produce for the next 30 years, and if the, and I, and I got the numbers from the engineers on the well. And if it continues like this - I mean, it's always subject – this is our best guess. In 30 years, it will still produce \$3 million a year to your interest at \$4 gas. That's a pretty darn good.

28:03

P: Oil wells do not live that long. I talked to the head of exploration for Pioneer, and he says they give their oil wells 10 years before a very rapid decline. So I think that in the gas window even given gas prices I think you are much better off being in the gas window if you are looking at the long-term asset.
28:23

P: Next slide. I wanted to show you what surface owners put up. You don't own surface, and one of the things that I do is that I manage minerals, as well as surface, for owners in South Texas, and this is a bad example of Eagle Ford drilling. This is a 10 acre lake. And this can happen and does happen every day in the Eagle Ford. This tank holds a million barrels of water that is used to frack Eagle Ford wells. And a frack has just happened on, from this well. This is a polyliner and this well, this pump is full and I walked up to the company man, and I said, "Can I take some pictures of your oil site?", and he said, "Sure." I said well, I won't put your name in it and he said go ahead and I said I won't do that. 29:20

P: So I gave a presentation to landowners on what the Eagle Ford looks like and I wanted to show you because many of you don't know and have never seen it, and you get the benefits of this production but you don't understand why people don't want this on their land. Today, H. L. Tompkins told you about a surface location that was not located on a certain lease and he told you that they drilled off of the lease and turned the bit and fracked onto another lease and the reason for that is that the surface owner on the lease they wanted to put the well under wouldn't let them drill on his land. And the reason is that he didn't want this on his land. And I wanted you to see what it looked like.
30:07

P: Next slide. It had not rained. This is a 10 inch aluminum pipe bringing water from that from that well. The rig has moved off.

P: They got some stands in the clogged in the well – they had a coil. They were trying to break the stand free. But this is a tank coming from a fluid from this trailer they're running out of the ground.

P: There's no dumpster anywhere on this. I looked on the whole well site. There's no dumpster anywhere. And this landowner put, thank you, put up with this for over two months and how would you like to have walked out into your backyard and see this? 30:45

- P: Next slide. This is just another view of it. This is a really bad example. On my wells, the kind of manager that I am, they've got a pad with eight inches of caliche and it's built up and crowned and terraced and their mud pits look like a Greek labyrinth. It's really beautiful, and they, it's, it's beautiful. It doesn't look like this. And it's all fenced with a welded fence. And they hate me for it, but it looks real nice. It doesn't look anything like this. I just wanted you to see. 31:15
- P: Next slide. So, what's important in the Eagle Ford is location just like real estate, it's real estate, in another sense it's location and the right operator because if you get the wrong operator, it's like anything else. They can mess up your well. They can damage your reservoir permanently in that location. The Eagle Ford is not so bad because Eagle Ford only drains a very narrow area around the well bore. We think it only drains 80 acres. 31:45
- P: Now, that's another issue I have with JPMorgan because they don't understand the lease that they have with you. The lease that you granted allows the minimum acreage around a well bore necessary to get a valid permit. And I don't understand why they're giving 640 acres. So there are some things to talk to your mineral manager about. 32:19
- P: Next slide. In the future, you have a lot to do. On the *Pioneer* lawsuit and in the southeast portion of the STS – the southwest portion of the STS acreage, there are ample opportunities to develop the Wilcox between 48 and 6,200 feet. There's the Olmos. And you have a lessee of Whittier Energy and Blackbrush Energy – who has drilled an Olmos well and had an verbal agreement to extend the lease from JPMorgan and JPMorgan failed to execute that extension. Actually, I think it was in writing that they agreed to extend the lease, think it was an email, and they failed to do that, and at the meeting today, they told you, that they were in negotiations to extend it. Well, I think it was agreed to extend it. 33:21
- P: That well was supposed to be a lateral completion. Olmos was traditionally drilled as a vertical completion. Swift Energy has been drilling the lateral Olmos wells, and at DUG today – or DUG yesterday, they were touting the wonderful results they were getting from these lateral completions of the Olmos. The Olmos cannot compete with the Eagle Ford.
- P: The wells are not analogous. The results are not analogous, but they do get much better results than they get from vertical completions in the Olmos. 33:57

P: But you have lots of Wilcox and lots of Olmos opportunities on STS. You, of course, have dozens, if not hundreds, of locations in the Eagle Ford. If Common is planning on putting was it eight pads of – or 14 pads of eight wells that's over a 100 Eagle Ford wells on their 12,000 acres – 9,800 acres. So, you've got 132,000 acres — all of it prospective – some of it dry gas, some of it gas condensate – you have the ---- well. It'll take 15 years to develop that. 34:48

P: Below the Edwards you have the Pearsall. And the Pearsall I manage this 7,800 acre ranch in Dimmit County which is just west of you but geologically almost identical to you, it's also in the gas condensate window. And we just drilled – The operator has just drilled a Sligo test. They're not gonna complete the Sligo. They tested it to see if it was of hydrocarbons bearing and at what level it would produce gas and how sour the gas was so that they would earn that formation under the lease, have an opportunity to later to drill to it and test it so that they could begin to do science on those wells. They're gonna come up the hole and complete in the Pearsall. They'll complete it vertically, they'll frack it, they'll produce it for 6-8 months, maybe a year, while they do science on it. Figure out how best to complete it and then they'll drill it laterally. 35:50

P: You have those same opportunities on STS and when we look at the 3-D that you already have, it's there. It lights up like a Christmas tree, and you have lots of formation, and there's – you have shows in the two wells that have been drilled through it. We think it's there. On the Sligo – 36:13

Q: Is the Pearsall below the Eagle Ford?

P: Yes. These are all below. You also have additional Edwards. You have lots of additional Edwards opportunities in the north. Not in the southern portion, but in the north – across the entire north portion of the acreage, you have additional Edwards opportunities. And Hunt will be exploring this, and Pioneer should be drilling some as well. 36:38

P: I got an update on your lawsuit. I don't know if I'm supposed to tell you about it, but on your lawsuit, your experts have identified significant Edwards locations and Wilcox locations that they'll be testifying about. So, I can (inaudible). So... 36:55

Q: Can I ask you one more question on the Pearsall?

P: The Pearsall?

- Q: The Pearsall. Is that level leased out to the best of your knowledge?
- P: The Pearsall is expired in the west Petrohawk Lease. It's expired – it will expire, if it will expire under all the Petrohawk Leases unless they drill to it. It's held until you shake loose the Pioneer Leases. If those leases are freed through litigation, it'll be free. It's free – all of these formations are free under 16,000 acres. 37:37
- Q: It could be marketed?
- P: Yes, it could be marketed. It's all open under 16,000 acres. In the northeast quadrant, uh – not the very top, you take a strip off the top of the acreage and then there's 16,000 acres where we identified a play in the Pearsall/Sligo/Hosston Smackover and I reserved those formations in all those 16,000 acres because I couldn't get any additional bonus for it, and they wouldn't commit to drill. So, _____ and we know this prospect there. We know there's a huge prospect there. There's room in the Hosston for 40 wells minimum. And there's a huge Sligo play, and the data that Whittier and Blackbrush shot in the center of your acreage shows a gigantic Sligo structure, and then Petrohawk, when I was talking to Charles Cusack, says there's another one over on the west side. There's also another one in the northeast portion where you, you're on the _____. So, there's four potential Sligo plays there. 38:46
- P: The Hosston - we know - is under the entire east half. We don't know about the West. I haven't seen anything over there. JPMorgan needs to look at – or your Mineral Manager – needs to look at that seismic data and see if it's there because those Petrohawk leases will terminate at depth. Have – one of them has terminated at depth, and these will all come open and should be marketed. 39:10
- P: Encanta is picking up Pearsall and Sligo today. I'm marketing Pearsall and Sligo to Encanta. I've sold them leases based on these plays, so I know it can be marketed. 39:25
- Q: What is in Pearsall and Sligo?
- P: Gas. It's gas. This gas is going to be sour. It'll be sour.
- Q: Define sour.
- P: It'll be sour. It'll have hydrosulphide in it. It'll have sulphur in it.

Q: And what's the Pearsall?

P: The Pearsall is – The Pearsall will be – I don't think the Pearsall will be very sour if at all. It's not testing sour in the well way down in Dimmit where you don't have to put an plant down there, so I'm not sure.

Q: What does sour mean?

P: It means it has hydrogen sulphite in it. It has some sulphur in it.

Q: So you have to take it out?

P: Yeah, you have to take it out. You have to take it out of the well site. It's poison.

Q: Can you smell the sulphur?

P: You can smell it.

Q: Can you sell it?

P: Oh yeah, you can sell it if there's enough. Down the Smackover – in some areas of the Smackover, that, that gas is 85% sulphur. And yes, you can sell it. Conoco runs sulphur plants in east Texas. Sulphur used to be mined in the United States until I think the petroleum industry, and I think I'm right about this, it was mined until they figured out that they could market it or produce it more economically by stripping it out of sour gas and sour oil. They had to clean it out anyway. Mostly, this didn't require them to pay the lessor for it, so they had free sulphur. No more sulphur mines. They just took it from the gas and took it from the oil. Under your lease if they get sulphur, and it's in commercial quantities, they have to pay. 41:03

P: So, you got a Sligo/Hosston/Smackover under – 16,000 acres plus the 12,000 acres that has expired in the west – so you've got 28,000 acres that is open and can be mined. I think that looks pretty bright. 41:27

[Laughter]

P: I had some notes for the meeting, and there were a few things that I, I wanted to tell you. And I don't know that I remembered all of them. I tried to incorporate in my remarks tonight the things I heard at DUG. One of the things that I think I heard from a couple of different people was that we have

a 200 year supply of natural gas, and that is what is – that is a part of what is depressing natural gas prices. 41:58

P: So, one thing that we can do as people who are interested in producing that commodity is we can encourage our government, our representatives, to push for legislation that encourages the conversion of our transportation fleet to compressed natural gas, which is a more environmentally friendly fuel – is a bridge fuel – frees us from dependence on foreign oil and is more economical fuel to boot. It will help your pocketbook. It will help your investment account. And it will help the price, it will help keep these wells drilling. One of the reasons these wells are being drilled is because they are being drilled with foreign money. American companies are not funding this exploration. 42:56

P: Much, if not most, of the Eagle Ford gas wells are being drilled by Indian and other companies, mostly Indian companies, in joint ventures, and they have to drill regardless of price in order to fulfill the terms of their joint venture agreements. 43:14

P: Pioneer entered into an agreement with Reliant to sell 40% of their asset – their Legacy assets in the Sprayberry and the Eagle Ford play to them, in exchange for Reliant's continued development of those assets. So, Reliant has to pay 100% of the cost of drilling a predetermined number of wells in exchange for a 40% interest in those wells. The reason – well one of the reasons that Pioneer may have countersued you is because Reliant refused to commit to drill your wells because of your lawsuit. Because they looked at your lawsuit, in my opinion, and saw that it had merit and they wouldn't take the edge. Pioneer does not deserve to have your lease. You don't hold 16,000 acres with six wells producing less than \$100,000 in royalty. It's not commercial production on 16,000 acres – it's just not. 44:38

P: You have to look at the value of the asset, and I'm not talking about the Eagle Ford. I'm talking about what a prudent businessman does with his asset. If you had 16,000 acres that was producing \$100,000 a year, would that be good enough for you? 44:59

P: The other thing was – let's see – Reliant paid \$12,000 an acre for that 40% interest. That was the bonus. That did not include the cost to drill the wells. The wells in the Eagle Ford – I think H. L. told you between \$8 and 12 million dollars. It's not correct. The wells cost somewhere between, between \$5 and 7 and a half million dollars in the gas window if they're not science wells. And by science wells, I mean, the initial well that gets drilled in the new area on which they core – and which they want everyone to look so they know where

they are and they know that they're completing it correctly and that a, that a prudent operator does whenever he enters into a new area so he knows what kind of rock he's working with. This industry is really remarkable. They do remarkable things with rock, and they're really something to be proud of. And I am proud – and I'm proud to be a part of. 46:08

P: There are bad examples, and there are good examples, and you have some of the best people on your land. Pioneer is a good operator. They just didn't treat your acreage right. What they do on the ground is really pretty good. They do great science – they just didn't happen to do it on your acreage. I think they should. Petrohawk is doing it. Talisman is doing a great job. Blackbrush is trying. Hunt will do a good job. The challenge is to keep that relationship open. What H. L. said about not being able to help them do that – to encourage them to do that – I think is wrong. I was told by Charles Cusack, I was told by Bob Cain, that – by Mark Norville that given a choice between drilling on Farmer Jones and Farmer Smith, I am going to drill on the farmer who's the most open to doing business with me, who is the most responsible. It's business. It's just business. We're gonna go to the man who makes you feel good about doing business with him, even if you have to pay him a little more to do it. So, are there any questions? 47:26

Q: Wow.

Q: All right. For those who don't know, tell them what you're doing now.

P: Well, I started a corporation called Concept Energy Management, and I do mineral management. I manage a couple of ranches. I manage 197,000 acres in deep South Texas. I have all kinds of production on it. I have some new activity on it. I don't manage a hundred percent of the minerals. The management is divided up between different people. I have two clients in that acreage. I manage 100% of the minerals and 100% of the surface on 7,800 acres in Dimmit County. I just picked up another client with 7,000 acres in the oil window. So I manage about 100 assets that are spread across the country. I manage 5,000 acres of coal in Kentucky. We're getting ready to mine that. I manage uranium. Uranium is ____ uranium project. so I'm doing what I've been doing for 35 years – I manage minerals. I also do leasing – one-time leasing for landowners, so I'll go to counties and I'll teach people about the Eagle Ford. Sometimes I'll go many times. I give presentations at farm and ranch shows. I'll be invited by groups of landowners or by the mayor of a small town to come and talk to people when they've been oil companies come out or geophysical companies come out, they call me up and say can you come and talk to us about this and tell us what to expect. And sometimes

those people will ask me to represent them. I'll negotiate their lease. I'll market their lease. Sometimes, I'll help them with a problem on the surface or a title problem. I work with attorneys, with engineers. I'm having fun. [Laughs] 49:25

P: I am. I'm doing just what I like to do. It's nice. I get to work with real people – with nobody between me and the client, so I'm very happy. I also do a lot of *pro bono*, and I like that too. So sometimes when I'm talking to a client and I'm driving down a country road, I'll see someone in a trailer, and I'll stop by. And I'll just talk. And that's fun, and it's all work for them too. And I feel like giving something back. And I'm thinking about writing a book. I've hired a young woman who is a publicist, and I started writing a book. I have a friend in Austin who's encouraging me to do that, and I'm doing a lot of different things. I'm enjoying every minute of it. Thanks for asking. 50:19

Q: Okay. What would you tell us – – just sit tight and enjoy the ride or should we be proactive?

P: Do you really want my opinion?

Q: Yeah. I asked for it.

P: I think you should --

___: What's the question again? I didn't get it.

Q: Oh, I'm sorry. If we should sit tight and enjoy the ride or should we be more proactive and concerned about our asset?

P: Uh – You walk a fine line. If you cannot take an active role in the management of your asset because you'll be a business association as opposed to a trust, so you cannot manage your asset. You're entitled to full information about your asset and total transparency, which you cannot exert management over your asset as before or you will be a business association, and that means tax. And that has all kinds of ugly consequences. 51:18

P: JPMorgan – I think JPMorgan got out of the mineral business. I like H. L. Tompkins. Do I think he's a good Mineral Manager? No, I don't. I think he's a terrible Mineral Manager. I think he's a great banker. Banks are corporate trustees. They are not groomed to be Mineral Managers. They don't market. They're not proactive. They want to sit back and take care of your money. That's - that's their core perspective. That's how they're geared. That's what

is drummed into them – to preserve the asset, not to develop the asset. Look at it – They have seven Mineral Managers, they have 12,000 accounts. They manage 200,000 assets. How can they manage your asset? How can they – they don't have time to pick up the phone and spend two hours on the phone negotiating your lease. 52:31

P: I spend some days 15 hours a day negotiating STS leases – 15 hours a day doing research to make sure I got it right. How does JPMorgan have that time? Charles Cusack asked me if I would interpret your leases for Petrohawk. They're complex. I talked to H. L. today. I said, "How are you doing?" He said, "Well, you've been there, you know." He said, "I don't know. He said Jason's helping me full time, but you know –. 53:09

P: He said - you have this asset is a company – This, to manage this, to do it right, you know this is a professional – this requires a professional. This is not a bank. A bank can... a bank can make sure you're paid properly, that you're paid timely, that your funds are received and that they're safe. And you should have a bank while you're a trust. You should have a national bank because of the amount of money that comes into your account, and you will have much more money coming into your account because nobody is going to lose these leases. Nobody is going to let one of these leases go. You are in a sweet spot of the gas condensate window. That and the dry gas window. This is prime real estate. Nobody's gonna let this go. They're gonna do whatever they have to do to farm out to whoever – farm out means to let another company drill it in exchange for some kind of interest. They're gonna get whoever they have to do – whatever- do whatever they have to do to hang onto this asset. 54:38

P: They're gonna keep drilling it until it's all earned under the terms of those leases. So, your tax issues have to be addressed. Your question, in my opinion, is do you want to stay with JPMorgan, which is not transparent in my opinion – because these letters – these letters that you get – where you're told in the same piece of correspondence said – well, this month your weighted average oil price is \$78.28 – and in the same paragraph that your weighted average price is \$42.46. That was in May and in June you were told \$87.95 and in the same paragraph \$46.28. Well, which is it? Did you get \$78.28 or did you get \$42.46? And by the way, on those volumes that they tell you they got, they paid you dividends of \$32, but when I calculate the volumes at prices, either you got \$8.34 a share or you got \$4.96 a share, but they paid you a dividend of \$32, so how much money are they holding and where is it and why didn't they distribute it and how long have they held it, and why don't you know where your money is? It's your money. I think you should know

these things. I think – you know when I was writing you letters, I told you. Why aren't they telling you where your money is? The most I think I ever held back was \$120,000 because we would have legal bills. I never held back more than that. 56:31

P: In October, I would calculate what I thought the ad valorem taxes would be and I would hold that back. I, I would know about what – and I knew that was going to be paid October 1 and because I would take advantage of every discount and so I would hold that back and it would be paid within 15 days from the time I held it back. And I do the same thing in January, but those were for expenses that were paid (inaudible). I never held back the difference between \$8 a share and \$32 a share on 30,000 shares – that's a lot of money. And repeatedly, the difference between \$8, \$32, \$4, \$35, \$4, \$54, \$3, \$27. Where is all this money? 57:21

P: I mean – You know, today – the Pipers, Bill Piper has asked for data to allow him to obtain an estate tax valuation and because of that, we made a request to JPMorgan for detailed production and income information, and today at that meeting JPMorgan told us we could get that information. You never get that information. That information is provided to every other trust beneficiary on a routine basis by that bank, but not STS. You never can get that. I don't know if you have asked, but they've never given it to you. 58:17

P: I think JPMorgan should give it to you. I think when you ask for accounting, they should give it to you. When you ask for information on production, they shouldn't side track you because you're not as sophisticated about oil and gas exploration matters and they can. That they should say, yes, we have that data on our system. Here, we have it in digital form. Let me email it to you. I think that's what a trustee should do because a trustee is your fiduciary. And that's what a fiduciary means. 58:51

P: And that's why I went to work for JPMorgan in 2005 because they promised me that I could operate that way – that you would come first. And for as long as I was there, you did, and I think you still should. And I think whoever you choose for whatever time you remained a trust – That whatever entity you decide to use in your transition, should you transition, it should be to – you should have your money and your asset with someone who is responsive to you and is a fiduciary. There's a lot of you. I know it's a big job. But you know, they get paid to do it. And last year they got paid very handsomely to do it. And they'll get paid very handsomely from now on to do it. 59:59

P: What they did today, you know, I was thinking, okay – The data they put

together today would have taken me – if I was working by myself — two and a half weeks. It's HL on the land side. If I had someone like H. L. has, where he has two assistants and Jason, maybe four days. Is that worth a million bucks? I don't think so. It's your money. I think you should get what you paid for and what you bargained for. 1:00:44

P: I'm done.

[Clapping]

Q: You're not done, you may think you're done, you're not done.

Q: I have nothing to say. (Inaudible) tape recorder so my dad can hear Pattie's presentation. But anyway, thank you.

P: On your lawsuit, I think you're going to win. I think your leases will either be partially terminated or you'll have a settlement agreement where they'll be – you'll get some acreage back, and you'll have an opportunity to enter into this drilling program to earn some acreage, because under those leases, they can only keep 20 acres around a well bore, and those wells drain more than 20 acres. So, the Edwards Well under field goals will hold 640. They're gonna want 640 acres around their existing wells. They have six existing wells. And they're gonna want an opportunity to drill them. Tr 2 00:43

P: They're good Edwards wells. They're excellent. They really are. And they didn't do right by you. At this talk at DUG, the CEO of Pioneer — I asked — I went to his Q&A session. And I got up and I asked him, I said, so you talked about Legacy assets and, what would motivate Pioneer to drill gas wells, that are not economic on leases that you don't have to drill to hold. And he said, "Well," and he saw my name, and he knows my name. I'm sure someone said you know, Cox and Smith, they're suing us. He knows, they know, you know. And he said, "Well, we started, looking at this in 2006. We started going to Eagle Ford in 2006. And I thought, well that's strange. I just did a whole thing on Eagle Ford. I didn't see Pioneer. The first completion by Pioneer that I saw was in 2009. It was a great well. Best well in the Eagle Ford – called the Gandy well. Awesome well, incredible well. But he said 2006. What he actually meant is that they cored a well and they noticed the Eagle Ford. Well they went ah there's the Eagle Ford. He called that _____. _____.

P: But I suspect that what the court will do – or what the settlement will do is that it will set aside some acreage in the Edwards, and it'll let them develop that. Now the Edwards is below the Eagle Ford. And it'll let them have part it. And the rest of it will come back to you. And that's what should happen. Most of

that will come back to you. Your lawsuit is not about the Eagle Ford. It can't be because the Eagle Ford didn't exist when we filed the lawsuit. And you can't bring a lawsuit for failure to develop an exploration well. There's no duty to explore in Texas. There is only a duty to develop in Texas. 2:45

Q: So, the only thing we can get out of this is freed up land?

P: Well, at \$3,000, \$3,500 – \$4,000 an acre, I don't think that's a bad deal.

Q: Well, maybe it's not a bad deal. But it probably all stems from a fairly bad lease a long time ago when people didn't know what was going on.

P: Well, the lease should have been released, and the bank should have sought release of the lease. And they did. They just didn't do it forcefully. They lacked guts. They didn't pursue it because they're bankers. You know what I mean? 3:27

Q: Yeah, I understand.

P: They're bankers. They got sold – they got sold by these exploration – I read the notes. I read all the files. And what would happen is the bank would make noise about – gee there's no development, and the oil company at the time would parade in three or four people. They had big pow wows, and they promised to do better and the bank would go – oh good, they're gonna do better. And they waited two years, and nothing would change. And the banks would get tired. And the bank wouldn't do anything. 4:00

Q: They're trustees.

P: Right. They're trustees. They're not managers. That's the problem. They're not managers. And I think Tom – I don't know if it's you or John – talked about under the trust that there should be a difference between the land management and the administration. That the trustee should not actually be managing the land.

Q: Yeah I believe that.

P: I think under the way – in the original agreement, in the original organization of South Texas Syndicate, there was a separate land manager, and that's the way it should – that's the way it was set up. There's a conflict of interest. The trustee doesn't know how to manage the oil and gas assets. It's not their business. 4:55

Q: (inaudible) are there other viable alternatives (inaudible)?

P: Oh, there's a lot of people who can do all of that – I mean, there's people who – trust administration and land management. There's banks that are based in town, there's national banks. There's, you know, there's private trust companies. Yes. 5:00

[Inaudible chatter]

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OIL ONLINE**API selects Ohio Petroleum Council executive director** (Mar 1, 2013)

Chris Zeigler, former chief of staff to Congressman Pat Tiberi, is the Ohio Petroleum Council's (OPC) new executive director.

Petrobras unveils January production numbers (Feb 28, 2013)

In January total production of oil and natural gas in Brazil reached 2.368 million boepd

GeoPark boasts Chilean gas find (Feb 25, 2013)

GeoPark hit gas at the Palos Quemados field onshore Chile

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Petrohawk announces new Shale Gas Field discovery

Oct 20 2008 7:00PM

Petrohawk Energy Corporation has announced a significant new natural gas field discovery in the Eagle Ford Shale in South Texas. This new field in La Salle County, Texas, was discovered after extensive regional subsurface and seismic mapping, geochemical analysis and petrophysical study. The Company has leased over 100,000 net acres in what it believes to be the most prospective areas for commercial production from the Eagle Ford Shale. The field is located immediately south of the Stuart City Field, which is on the Edwards Reef Trend that extends across South Texas.

"This discovery folds perfectly into our portfolio of unconventional resource assets," said Dick Stoneburner, Chief Operating Officer. "Petrohawk's staff has extensive experience in the acquisition and development of horizontal plays as exhibited by our results in the Haynesville Shale and Fayetteville Shale plays. Leveraging that expertise to uncover new opportunities like the Eagle Ford Shale adds significantly to our playbook."

The discovery well, the STS #241-1H, was drilled to an approximate true vertical depth of 11,300 feet during which extensive coring and open hole logging was performed. An approximate 3,200-foot lateral was drilled and subsequently fracture stimulated with over two million pounds of sand in ten stages. The well was placed on production at a rate of 9.1 million cubic feet of natural gas equivalent per day (7.6 million cubic feet of natural gas per day and 250 barrels of condensate per day). A confirmation well, the second well drilled on the project, the Dora Martin #1H, which is approximately 15 miles from the discovery well, has been drilled, cored and logged. The quality of the Eagle Ford Shale in this well appears to be superior to that found in the STS #241-1H. The Company is currently drilling the lateral on this second well. A third well is expected to spud by mid-November.

Petrohawk expects drilling and completion costs for development wells to range between \$5 and \$7 million. Development costs, including one rig that will run continuously on the project, have already been included in the Company's published 2008 and 2009 capital plans. The Company plans to access existing gathering and transportation infrastructure, further improving lower overall development costs.

Petrohawk is the operator and owns 90% working interest in the project, with 10% owned by industry partners.

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Stock Price (Real time)

27/02/2014 15:00
Code : 8002
Last : JPY 718
Change : JPY -5
Volume : 12,766,000
※ 20 min. delayed

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Ownership Statistics

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Stock information

as of September 30, 2013

Securities code	8002
Stock listings*	Tokyo, Nagoya
Number of shares issued and outstanding	1,737,940,900
Number of shareholders	136,983
Transfer agent of common stock	Mizuho Trust & Banking Co., Ltd
Business year	from April 1 to March 31 of the following year
General shareholders meeting	June

Type of Shareholder

as of September 30, 2013



Note : The total may not be 100% because the numerical value of the graph is rounded off.

Our Major Shareholders

as of September 30, 2013

	Shares (thousand)	Voting Rights %
The Master Trust Bank of Japan, Ltd. (Trust Account)	79,794	4.60%
Japan Trustee Services Bank, Ltd. (Trust Account)	71,662	4.13%
Sompo Japan Insurance Inc.	52,110	3.00%
JP Morgan Chase Bank 380055	48,543	2.80%



	Shares (thousand)	Voting Rights %
Japan Trustee Services Bank, Ltd. (Trust Account 9)	47,379	2.73%
Meiji Yasuda Life Insurance Company	41,818	2.41%
Tokio Marine and Nichido Fire Insurance Co., Ltd	32,410	1.87%
Mizuho Bank, Ltd.	30,000	1.73%
Barclays Securities Japan Ltd.	25,000	1.44%
Nippon Life Insurance Company	24,700	1.42%

(Note) The number of shares owned is rounded down to the nearest thousand.

(Note) Percentages of voting rights are rounded down to the nearest two decimal points.

(Note) Shareholder names are current as of September 30, 2013.

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After Recording please return to:
 Susie Maldonado
 Hunt Oil Company
 1900 North Akard Street
 Dallas, TX 75201-2300

After recorded return to:
 Marubeni Eagle Ford LP
 2800 Post Oak Blvd., Suite 6000
 Houston, TX 77056
 Attn: Mr. Keiichiro Mano

STATE OF TEXAS)
)
 COUNTY OF MCMULLEN)

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "*Assignment*"), dated May 17, 2012 and effective as of 12:01 a.m. (Central Standard Time) on December 28, 2011 (the "*Transfer Time*"), is by and between Hunt Oil Company, a Delaware corporation ("*Assignor*"), and Marubeni Eagle Ford LP, a Texas limited partnership ("*Assignee*"). Assignor and Assignee are sometimes referred to herein individually as a "*Party*" and collectively as the "*Parties*."

For and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

ARTICLE I ASSIGNMENTS

Section 1.1 *Assignment.* Subject to the reservation of Seller's Retained ORRI set forth in Section 1.2, Assignor does hereby forever GRANT, BARGAIN, SELL, CONVEY,

ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee an undivided 35% of all of Assignor's right, title and interest in and to the following properties and assets (such right, title and interest of Assignor in and to the following properties and assets are collectively called the "**Assets**" and individually called an "**Asset**", and such undivided 35% of the Assets, excluding the Excluded Assets, is collectively called the "**Conveyed Interests**"):

(a) the oil and gas leases described in Exhibit A-1 (collectively, the "**Leases**") (insofar as such Leases pertain to the Conveyed Depths), together with any and all other rights, titles, and interests of Assignor in and to (i) the leasehold estates created thereby and (ii) the lands covered by the Leases or included in pooled acreage, communitized acreage or units with which the Leases may have been pooled, communitized or unitized (the "**Lands**"), including in each case fee interests, fee mineral interests, subleases, mineral servitudes, royalty interests, overriding royalty interests, production payments, net profits interests, carried interests, reversionary interests, and all other interests of any kind or character;

(b) all oil, gas, water, disposal or injection wells located on the Leases and the Lands or on other leases or lands with which the Leases and/or the Lands may have been pooled, communitized or unitized, including the wells set forth on Exhibit A-2, to the extent producing from, or injecting waste from, the Conveyed Depths (the "**Wells**" and together with the Leases and the Lands, the "**Properties**");

(c) all easements, surface use agreements, surface leases, surface fee interests, Permits, servitudes, rights-of-way and similar rights and interests applicable to, or used or useful in connection with, the Properties or the Facilities, in each case, to the extent the terms of such rights and interests (or applicable Law) allow a partial interest thereof to be assigned (the "**Rights-of-Way**");

(d) all rights and interests in, under, or derived from all unitization, communitization and pooling agreements in effect with respect to the Properties and the units created thereby that accrue or are attributable to the interests of Assignor in the Properties;

(e) to the extent assignable (with consent, if applicable) all Applicable Contracts;

(f) all Hydrocarbons, produced from or attributable to, the Wells;

(g) all equipment, machinery, fixtures, and other real, personal, and mixed property, operational and nonoperational, primarily used or held for use in connection with the Wells, including well equipment, casing, rods, tanks, boilers, tubing, pumps, motors, fixtures, machinery, compression equipment, flowlines, pipelines, gathering systems, processing, dehydration, liquification and separation facilities, storage facilities, drillsite pads, water and mud pits and containment facilities, structures, materials, and other items used or held for use in the operation thereof ("**Facilities**");

(h) all proprietary Geoscientific Data set forth on Schedule 4 to the Purchase Agreement, *provided* that Assignee's use of such proprietary Geoscientific Data shall be limited to development of the Joint Interests and such Geoscientific Data may not be assigned directly or indirectly to any other Person without Assignor's consent;

(i) digital or hard copies (at Assignee's cost and upon request) of, and the right to use and transfer such copies of, any files, records, information and data of Assignor relating solely to the Conveyed Interests described in Section 1.1(a)-(h) and (j)-(l), including: (i) land and title records (including abstracts of title, title opinions, and title curative documents); (ii) contract files; (iii) correspondence; (iv) maps, engineering data and reports; (v) log books and Operating Data; and (vi) facility and well records, but in each case excluding any information that cannot, without unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets or information subject to binding Third Party confidentiality obligations ("**Records**");

(j) all Imbalances from and after the Transfer Time;

(k) all liens and security interests securing payment for the sale or other disposition of Hydrocarbons produced from or allocated to the Properties, including the security interests granted under Texas Uniform Commercial Code § 9.343, but only to the extent that such liens and security interests relate to the other Conveyed Interests during the period from and after the Transfer Time; and

(l) all claims, rights and causes of action, including warranty claims, against any Third Party or Affiliate of Assignor, whether asserted or unasserted, known or unknown.

EXCEPTING AND RESERVING to Assignor, however, the Excluded Assets (including Seller's Retained ORRI).

TO HAVE AND TO HOLD the Conveyed Interests unto Assignee and its successors and assigns, forever, subject to the covenants, terms and conditions set forth herein.

Section 1.2 Assignor's Retained Overriding Royalty Interest. Notwithstanding anything to the contrary in this Assignment, Assignor hereby excepts and reserves an overriding royalty interest in each Lease equal to the positive difference, if any, between (a) 25% and (b) all existing burdens payable out of production (including royalty interests, overriding royalty interests, carried interests, production payments and other similar burdens) under such Lease ("**Seller's Retained ORRI**"); *provided, however*, that Seller's Retained ORRI shall be proportionately reduced on a Lease by Lease basis to the extent (x) such Lease covers less than the entire undivided oil and gas mineral fee estate in and under lands covered by such Lease or (y) the interest in any such Lease is less than the entire oil and gas leasehold estate created by such Lease; and, *provided, further, however*, that if the royalty interest payable to lessors or similar burdens with respect to any such Lease increase at a subsequent date, Seller's Retained ORRI shall be recalculated as set forth in the first sentence hereof to take such increase into account. For example, assuming no proportionate reduction is necessary (i.e., Hunt owns 100% of the Working Interest in a Lease that covers 100% of the oil and gas mineral fee estate), if the sum of the royalty interests and similar burdens with respect to a Lease prior to giving effect to the conveyance of such Lease to Assignee equals 20%, the portion of Seller's Retained ORRI burdening Assignee's interest in such Lease would be calculated as follows: $(.25 - .20) \times .35 = 1.75\%$. If the sum of the royalty interests and similar burdens with respect to such Lease subsequently increased to 22%, the portion of Seller's Retained ORRI burdening Assignee's

interest in such Lease would be reduced as follows: $(.25-.22) \times .35 = 1.05\%$. Seller's Retained ORRI is and shall be, during the term of each present valid subsisting Lease that is burdened by Seller's Retained ORRI, free and clear of, and shall not be charged with any costs of drilling, completing, equipping and operating any wells located on such Lease, but Seller's Retained ORRI shall bear its proportionate part of all ad valorem, severance, excise and production taxes.

Section 1.3 Excluded Assets. Notwithstanding anything to the contrary in this Assignment, Assignor (and its Affiliates) shall reserve and retain the Excluded Assets, all of which are excluded from the Conveyed Interests and other rights to be conveyed to Assignee hereunder, and Assignee shall have no interest in, to or under any Excluded Asset.

Section 1.4 Pooling. Assignee may voluntarily pool, communitize or unitize Seller's Retained ORRI with the Leases and other leases and lands without the consent of Assignor.

Section 1.5 No Obligations. No obligation, either express or implied, shall arise by reason of Seller's Retained ORRI that would obligate Assignee to develop or produce the Lands or to keep and maintain the Leases in force and effect.

ARTICLE II SPECIAL WARRANTY; DISCLAIMERS

Section 2.1 Special Warranty benefitting Assignee. Assignor shall warrant and forever defend title to the Properties unto Assignee against the claims and demands of all Persons claiming, or to claim the same, or any part thereof, by, through or under Assignor, but not otherwise. Assignor hereby assigns all covenants and warranties and the right to enforce all rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests, and Assignee is specifically subrogated to Assignor's interests in all rights relating thereto that Assignor may have, to the extent Assignor may legally transfer such rights and grant such subrogation. Assignor warrants to Assignee that Assignor has not granted, created or reserved any overriding royalty, net profits interest, carried interest, production payment, reversionary interest, or similar burden that would result in the Net Revenue Interest in any Lease or Well owned by Assignee immediately after giving effect to this Assignment to be less than 35% multiplied by 74.625% (such 74.625% proportionally reduced to the extent that the Working Interest in such Lease or Well owned by Assignor immediately prior to giving effect to this Assignment is less than the entire Working Interest in such Lease or Well). The Parties agree to reasonably cooperate with each other in asserting any rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests.

Section 2.2 Disclaimers.

(a) EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE V OF THE PURCHASE AGREEMENT OR SECTION 2.1, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF

THE ASSETS AND (III) THOSE ITEMS SET FORTH IN THE PURCHASE AGREEMENT (INCLUDING THOSE ITEMS SET FORTH IN SECTION 7.7 THEREOF). EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN SECTION 2.1, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS OF THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, AS ASSIGNEE DEEMS APPROPRIATE.

(b) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 2.2 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE III ASSUMED OBLIGATIONS

Section 3.1 *Assumed Obligations.* Assignor (subject, in each case described below, to the terms of the Purchase Agreement) (a) is taking the Conveyed Interests subject to Permitted Encumbrances, (b) assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the Assumed Obligations to the extent related to the Conveyed Interests, and (c) is taking the Conveyed Interests subject to the terms and conditions of all of the Applicable Contracts to the extent related to the Conveyed Interests, and hereby assumes and agrees to fulfill, perform, pay and discharge all obligations arising or related thereto and attributable thereunder to Assignor.

ARTICLE IV MISCELLANEOUS

Section 4.1 *Separate Assignments.* Where separate assignments of the Conveyed Interests have been or will be executed for filing with, and approval by, applicable Governmental Authorities, any such separate assignments (a) shall evidence this Assignment and assignment of the applicable Conveyed Interests herein made and shall not constitute any additional Assignment or assignment of the Conveyed Interests, (b) are not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the Purchase Agreement and are not intended to create, and shall not create, any representations, warranties or additional covenants of or by the Parties, except for the special warranty of title benefitting Assignee, as set forth in Section 2.1, and (c) shall be deemed to

contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate assignments.

Section 4.2 Purchase Agreement. This Assignment is delivered pursuant to the Purchase Agreement. The Purchase Agreement contains certain representations, warranties and agreements of and between the Parties, some of which survive the delivery of this Assignment, as provided for therein and shall not be merged into this Assignment or be otherwise negated by the execution or delivery of this Assignment. This Assignment shall not be construed to amend the Purchase Agreement or vary the rights or obligations of either Assignor or Assignee from those set forth in the Purchase Agreement.

Section 4.3 Governing Law. This Assignment and the legal relations between the Parties shall be governed and construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer construction of such provisions to the laws of another jurisdiction.

Section 4.4 Successors and Assigns. The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective legal representatives, successors, and assigns.

Section 4.5 Interpretation. In construing this Assignment: (a) no consideration shall be given to the captions of the Articles, Sections, subsections or clauses, which are inserted for convenience in locating the provisions of this Assignment and not as an aid to construction and shall not be interpreted to limit or otherwise affect the provisions of this Assignment, (b) no consideration shall be given to the fact or presumption that either Party had a greater or lesser hand in drafting this Assignment, (c) the plural shall be deemed to include the singular, and vice versa, (d) each Exhibit to this Assignment is part of this Assignment, (e) each Exhibit attached to this Assignment shall be deemed incorporated herein as if set forth in full herein, and (f) all references in this Assignment to Exhibits, Articles, and Sections refer to the corresponding Exhibits to, Articles of, and Sections of this Assignment unless expressly provided otherwise.

Section 4.6 Counterparts. This Assignment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one assignment.

Section 4.7 Further Assurances. Assignor covenants and agrees to execute and deliver, or shall cause to be executed and delivered from time to time, such further instruments of conveyance and transfer, and shall take such other actions as Assignee may reasonably request, to convey and deliver the Conveyed Interests to Assignee, to perfect Assignee's record title thereto, and to accomplish the orderly partial transfer of the Conveyed Interests to Assignee in the manner contemplated by this Assignment.

ARTICLE V DEFINED TERMS

Section 5.1 Defined Terms. In addition to the terms defined elsewhere in this Assignment, for purposes hereof, the terms defined in this Section 5.1, when used in this Assignment, shall have the meanings set forth in this Section 5.1.

"Affiliate" shall mean with respect to a Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. The term **"control"** and its derivatives with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Contract" shall mean, to the extent they relate to the Conveyed Interests and Assignor is a party, all Contracts (i) by which any of the Properties are bound or (ii) that primarily relate to the Properties or other Conveyed Interests and (in each case) that will be binding on Assignee after giving effect to this Assignment, including farmin and farmout agreements; surface use agreements, bottomhole agreements; crude oil, condensate, and natural gas purchase and sale agreements; gathering, transportation, and marketing agreements; hydrocarbon storage agreements, acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; facilities or equipment leases; crossing agreements; letters of no objection; production handling and water use agreements; and other similar contracts and agreements, but exclusive of (x) any master service agreements or (y) contract or agreement relating to seismic data and information.

"Assumed Obligations" shall mean all obligations and liabilities, known or unknown, related to or arising out of the Conveyed Interests, regardless of whether such obligations or liabilities arose prior to or after the Transfer Time; *provided* that the Assumed Obligations shall not include any Retained Liabilities (as defined in the Purchase Agreement).

"Conveyed Depths" shall have the meaning set forth in Exhibit B.

"Contract" shall mean any written or oral contract, agreement, agreement regarding indebtedness, indenture, debenture, note, bond, loan, lease, mortgage, franchise, license agreement, purchase order, binding bid, commitment, letter of credit or any other legally binding arrangement. The definition of **"Contract"** shall not include any Lease, easement, right-of-way, crossing agreement, Permit or other instrument (other than acquisition, sales or purchase agreements) creating or evidencing an interest in the Conveyed Interests that constitutes real or immovable property related to or used in connection with the operations of any Conveyed Interests.

"Effective Time" shall mean 6:59 a.m. (Central Standard Time) on January 1, 2012.

"Excluded Assets" shall mean all right, title and interest of Assignor or any of its Affiliates in and to any property, right or asset not expressly included in the definition of "Conveyed Interests" including: (i) all corporate minute books, financial, Tax and accounting records that relate to Assignor's business generally (excluding copies of historical accounting records to the extent relating to the Conveyed Interests and separable from Assignor's records on a commercially reasonable basis); (ii) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time; (iii) except to the extent related to an Assumed Obligation, all rights and interests of Assignor (a) under any policy or agreement of insurance or indemnity, (b) under any

bond or (c) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property prior to the Transfer Time; (iv) all right, title and interest in any oil and gas or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests in oil, gas and other minerals relating to the Excluded Depths (except insofar as such interests pertain to the Conveyed Depths); (v) all Hydrocarbons produced and sold from the Properties with respect to all periods prior to the Effective Time and all proceeds attributable thereto; (vi) all claims for refunds of or loss carry forwards with respect to (a) Taxes for which Assignor is responsible pursuant to Section 8.4 of the Purchase Agreement, (b) income or franchise taxes of Assignor attributable to any period (or portion thereof) on or prior to the Transfer Time, or (c) any taxes attributable to the Excluded Assets; (vii) all of Assignor's proprietary computer software, patents, trade secrets, copyrights, names, trademarks and logos and all other intellectual property of any kind (other than the Geoscientific Data listed on Schedule 4 to the Purchase Agreement); (viii) all documents and instruments that are protected by an attorney-client privilege or that are work product of counsel (other than title opinions relating solely to the Conveyed Interests); (ix) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with Third Parties to the extent consent for disclosure is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (x) all licensed seismic data and related information relating to the Assets that requires Third Party consent for partial assignment to Assignee if such consent is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (xi) documents prepared or received by Assignor or its Affiliates with respect to (a) lists of prospective purchasers for transactions compiled by Assignor or its Affiliates, (b) bids submitted by other prospective purchasers of the Conveyed Interests, (c) analyses by Assignor or its Affiliates of any bids submitted by any prospective purchaser, (d) correspondence between or among Assignor, its Affiliates and its and their respective representatives, and any prospective purchaser, and (e) correspondence between Assignor or its Affiliates or any of its or their respective representatives with respect to any of the bids, the prospective purchasers, or the transactions contemplated in this Assignment, the Purchase Agreement or the other Related Agreements; (xii) any offices, office leases or personal property not directly related and necessary to the production of Hydrocarbons from the Properties (for example, trucks and computers); (xiii) any Conveyed Interests that are excluded from the transaction contemplated by the Purchase Agreement by virtue of any provisions hereof or thereof (including Properties re-conveyed to Assignor pursuant to Section 3.2 or Section 3.4(c) of the Purchase Agreement); (xiv) Assignor's bonds; (xv) any amounts in suspense as of the Transfer Time; (xvi) all Imbalances relating to the Properties or other Conveyed Interests arising before the Transfer Time; (xvii) originals and copies of all Records, subject to Assignee's right to obtain a copy of such Records at its sole cost and expense pursuant to Section 1.1(i); and (xviii) all rights arising under or attributable to the Retained Interests, including the right to use all or any portion of the Retained Interests in respect of the ownership, development, operation and production of the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths), including the non-exclusive right of ingress and egress across the Assets and through the Conveyed Depths and the non-exclusive right to use the Rights-of-Way in respect of the ownership, development, operation and production of the Excluded Depths and the gathering, storage, transportation and marketing of

Hydrocarbons produced from the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths). For the avoidance of doubt, Assignor's interest in the Retained Interests, including Seller's Retained ORRI, are Excluded Assets.

"Excluded Depths" shall mean any oil and gas horizons underlying the surface of the Lands covered by the Leases that are not expressly included in the definition of *"Conveyed Depths."*

"Geoscientific Data" shall mean all geological, geographical and/or geophysical maps, surveys, field tapes, data, processings, interpretations, prospects, and other related information owned by Assignor or its Affiliate and to the extent relating to the Conveyed Interests.

"Governmental Authority" shall mean any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

"Hydrocarbons" shall mean oil and gas and other hydrocarbons produced or processed in association therewith.

"Imbalance" shall mean any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well and allocated to the interests of Assignor therein and the shares of production from the relevant Well to which Assignor was entitled, or at the pipeline flange between the amount of Hydrocarbons nominated by or allocated to Assignor and the Hydrocarbons actually delivered on behalf of Assignor at that point.

"Joint Interest" shall have the meaning set forth in the Purchase Agreement.

"Law" shall mean any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority.

"Net Revenue Interest" with respect to any Well or Lease, shall mean the interest in and to all Hydrocarbons produced, saved, and sold from or allocated to such Well or Lease, after giving effect to all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests, and other burdens upon, measured by, or payable out of production therefrom.

"Oil and Gas Leases" shall have the meaning set forth in the Purchase Agreement.

"Operating Data" shall mean operations, environmental and production data (including operational and technical work product) to the extent relating to the Conveyed Interests, but in each case excluding any information that cannot, without commercially unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets.

"Permit" shall mean any permit, consent, authorization, approval, registration, license, exemption, certificate, order, waiver, franchise, variance, right, or other authorization granted by or obtained from any Governmental Authority.

"Permitted Encumbrances" shall have the meaning set forth in the Purchase Agreement.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"Purchase Agreement" shall mean the Purchase and Sale Agreement, dated December 28, 2011, by and between Assignor and Assignee.

"Related Agreements" shall have the meaning set forth in the Purchase Agreement.

"Retained Interests" shall mean the 65% undivided interest in and to the Assets held by Assignor after giving effect to the purchase and sale of the Conveyed Interests, along with the Seller's Retained ORRI, as contemplated by Section 1.2 and shall include (i) all right, title and interest held by Assignor that is held as a tenant in common with Assignee after the Transfer Time and (ii) all production of Hydrocarbons related thereto.

"Tax" shall have the meaning set forth in the Purchase Agreement.

"Third Party" shall mean any Person other than a Party or an Affiliate of a Party.

"Working Interest" shall mean, with respect to a Well or Lease, the interest in and to such Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

[Signature Page Follows]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Transfer Time.

ASSIGNOR:

HUNT OIL COMPANY

By: 
Bill Rex
Vice President

STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

This instrument was acknowledged before me on this 17th day of May 2012, by Bill Rex, Vice President of Hunt Oil Company, a Delaware corporation, on behalf of said corporation.





Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

[Signature Page to Assignment]

ASSIGNEE:

MARUBENI EAGLE FORD LP

By: Marubeni Shale Investment GP LLC,
its general partner

By: 
Keiichiro Mano
Vice President

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this 17th day of May, 2012, by Keiichiro Mano, Vice President of Marubeni Shale Investment GP LLC, a Delaware limited liability company and general partner of Marubeni Eagle Ford LP, a Texas limited partnership, on behalf of said limited partnership.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

EXHIBIT A
EAGLE FORD LEASES AND WELLS

Exhibit A-1: Leases: See attached spreadsheet.

Exhibit A-2: Wells: See attached spreadsheet.

**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres
HL086574	00	SOUTH TEXAS SYNDICATE TRUST	TEXAS LONE STAR PETR	03/15/06	03/15/13	683.48 ACS, GWT&P RR CO SVY, A-534, M E LANE SVY,	MCMULLEN	Vol 444, Pg 459	683.480	341.740
HL086570	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	3094.077 ACS, AMEND. 1/6/11 TO 4,888.368 ACS, LASALLE & McMULLEN COS., TX BEING IN E. M. Rudder Svy No. 503, A-938, CCSD&RGNG RR, H&OB RR CO SVY NO 29, A-584, M E LANE SVY NO 6, A-620, M E LANE SVY NO 4, A-619, GWT&P RR CO SVY NO 5, 10, A-688, J W LANE SVY NO 26, A-693, J W LANE SVY NO 18, A-692, GWT&P RR CO SVY NO 17, A-540, S O PETTUS SVY NO 4, A-353, J I DIAZ SVY NO 3, A-175 AND E M RUDDER SVY, NO 506, A-939 CO SVY NO 45, 596	LASALLE / MCMULLEN	Vol 448, Pg 148, Doc 62192; Vol 459, Pg 55, Doc 78912	3094.077	1547.039
HL086575	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	02/26/07	02/26/13	2371.205 ACS, AMENDED 1/61/11 TO 1,707.555 ACS BEING IN GWT&P RR CO SVY NO 11, A-537, GWT&P RR CO SVY NO 13, A-538, GWT&P RR CO SVY NO 7 A-533, BS&F SVY NO 1, A-577, M E LANE SVY NO 8, A-621, M E LANE SVY NO 30, A-622 AND CCSD&RGNG RR CO SVY NO 759, A-851	LASALLE / MCMULLEN	Vol 451, Pg 136, Doc 62602; Vol 461, Pg 525, Doc 79395	1707.555	853.778

Exhibit A-2**Wells**

Well	API Number	WI	NRI	Operator	Spud Date
STS A-1391 #1H	42283323000000	0.5000	0.3731	HOC	7/14/2010
STS A-1391 #2H	42283326480000	0.5000	0.3731	HOC	6/18/2011
STS A-692 #1H	42311346010000	0.5000	0.3731	HOC	8/22/2011
STS A-692 #2H	42311346500000	0.5000	0.3731	HOC	10/6/2011
STS A-1391 #3H	42283328720000	0.5000	0.3731	HOC	11/20/2011
STS A-1391 #4H	42283329710000	0.5000	0.3731	HOC	TBD

EXHIBIT B
CONVEYED DEPTHS

All depths included in the interval from the surface to the correlative stratigraphic equivalent of the depth that is 100 feet below the base of the Buda Formation as such formation is defined in the Array Induction Log run on September 12, 2011, for the Hunt Oil Company Zaiantz #1H Well, Andres Hernandez Survey, A-17, Wilson County, Texas, API # 42-493-32599. The base of the Buda Formation is defined at a measured depth of 7972 feet in said well.

FILED FOR RECORD

This Jun 08, 2012 at 12:59P
HONORABLE DORAIRENE GARZA
CLERK COUNTY COURT McMULLEN CO., TX
BY: Mattie Sadovsky

THE STATE OF TEXAS

COUNTY OF McMULLEN

I, HONORABLE DORAIRENE GARZA, Clerk of the County Court of said county, do hereby certify that the foregoing instrument of writing, with its certificate of authentication was filed for record in my office this Jun 08, 2012 at 12:59P and duly recorded the Jun 08, 2012 in the McMullen County Records of said County, in VOL 31 on PAGE 1.

Witness my hand and the seal of the County Court of said County at the office in TILDEN, TEXAS the day and year last above written.

HONORABLE DORAIRENE GARZA
CLERK, COUNTY COURT, McMULLEN COUNTY, TEXAS

BY: Mattie Sadovsky



After Recording please return to:
 Susie Maldonado
 Hunt Oil Company
 1900 North Akard Street
 Dallas, TX 75201-2300

After recorded return to:
 Marubeni Eagle Ford LP
 2800 Post Oak Blvd., Suite 6000
 Houston, TX 77056
 Attn: Mr. Keiichiro Mano

STATE OF TEXAS)
)
 COUNTY OF LASALLE)

THIS ASSIGNMENT, BILL OF SALE AND CONVEYANCE (this "*Assignment*"), dated May 17, 2012 and effective as of 12:01 a.m. (Central Standard Time) on December 28, 2011 (the "*Transfer Time*"), is by and between Hunt Oil Company, a Delaware corporation ("*Assignor*"), and Marubeni Eagle Ford LP, a Texas limited partnership ("*Assignee*"). Assignor and Assignee are sometimes referred to herein individually as a "*Party*" and collectively as the "*Parties*."

For and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

ARTICLE I ASSIGNMENTS

Section 1.1 *Assignment.* Subject to the reservation of Seller's Retained ORRI set forth in Section 1.2, Assignor does hereby forever GRANT, BARGAIN, SELL, CONVEY,

ASSIGN, TRANSFER, SET OVER AND DELIVER unto Assignee an undivided 35% of all of Assignor's right, title and interest in and to the following properties and assets (such right, title and interest of Assignor in and to the following properties and assets are collectively called the "**Assets**" and individually called an "**Asset**", and such undivided 35% of the Assets, excluding the Excluded Assets, is collectively called the "**Conveyed Interests**"):

(a) the oil and gas leases described in Exhibit A-1 (collectively, the "**Leases**") (insofar as such Leases pertain to the Conveyed Depths), together with any and all other rights, titles, and interests of Assignor in and to (i) the leasehold estates created thereby and (ii) the lands covered by the Leases or included in pooled acreage, communitized acreage or units with which the Leases may have been pooled, communitized or unitized (the "**Lands**"), including in each case fee interests, fee mineral interests, subleases, mineral servitudes, royalty interests, overriding royalty interests, production payments, net profits interests, carried interests, reversionary interests, and all other interests of any kind or character;

(b) all oil, gas, water, disposal or injection wells located on the Leases and the Lands or on other leases or lands with which the Leases and/or the Lands may have been pooled, communitized or unitized, including the wells set forth on Exhibit A-2, to the extent producing from, or injecting waste from, the Conveyed Depths (the "**Wells**" and together with the Leases and the Lands, the "**Properties**");

(c) all easements, surface use agreements, surface leases, surface fee interests, Permits, servitudes, rights-of-way and similar rights and interests applicable to, or used or useful in connection with, the Properties or the Facilities, in each case, to the extent the terms of such rights and interests (or applicable Law) allow a partial interest thereof to be assigned (the "**Rights-of-Way**");

(d) all rights and interests in, under, or derived from all unitization, communitization and pooling agreements in effect with respect to the Properties and the units created thereby that accrue or are attributable to the interests of Assignor in the Properties;

(e) to the extent assignable (with consent, if applicable) all Applicable Contracts;

(f) all Hydrocarbons, produced from or attributable to, the Wells;

(g) all equipment, machinery, fixtures, and other real, personal, and mixed property, operational and nonoperational, primarily used or held for use in connection with the Wells, including well equipment, casing, rods, tanks, boilers, tubing, pumps, motors, fixtures, machinery, compression equipment, flowlines, pipelines, gathering systems, processing, dehydration, liquification and separation facilities, storage facilities, drillsite pads, water and mud pits and containment facilities, structures, materials, and other items used or held for use in the operation thereof ("**Facilities**");

(h) all proprietary Geoscientific Data set forth on Schedule 4 to the Purchase Agreement, *provided* that Assignee's use of such proprietary Geoscientific Data shall be limited to development of the Joint Interests and such Geoscientific Data may not be assigned directly or indirectly to any other Person without Assignor's consent;

(i) digital or hard copies (at Assignee's cost and upon request) of, and the right to use and transfer such copies of, any files, records, information and data of Assignor relating solely to the Conveyed Interests described in Section 1.1(a)-(h) and (j)-(l), including: (i) land and title records (including abstracts of title, title opinions, and title curative documents); (ii) contract files; (iii) correspondence; (iv) maps, engineering data and reports; (v) log books and Operating Data; and (vi) facility and well records, but in each case excluding any information that cannot, without unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets or information subject to binding Third Party confidentiality obligations ("**Records**");

(j) all Imbalances from and after the Transfer Time;

(k) all liens and security interests securing payment for the sale or other disposition of Hydrocarbons produced from or allocated to the Properties, including the security interests granted under Texas Uniform Commercial Code § 9.343, but only to the extent that such liens and security interests relate to the other Conveyed Interests during the period from and after the Transfer Time; and

(l) all claims, rights and causes of action, including warranty claims, against any Third Party or Affiliate of Assignor, whether asserted or unasserted, known or unknown.

EXCEPTING AND RESERVING to Assignor, however, the Excluded Assets (including Seller's Retained ORRI).

TO HAVE AND TO HOLD the Conveyed Interests unto Assignee and its successors and assigns, forever, subject to the covenants, terms and conditions set forth herein.

Section 1.2 Assignor's Retained Overriding Royalty Interest. Notwithstanding anything to the contrary in this Assignment, Assignor hereby excepts and reserves an overriding royalty interest in each Lease equal to the positive difference, if any, between (a) 25% and (b) all existing burdens payable out of production (including royalty interests, overriding royalty interests, carried interests, production payments and other similar burdens) under such Lease ("**Seller's Retained ORRI**"); *provided, however*, that Seller's Retained ORRI shall be proportionately reduced on a Lease by Lease basis to the extent (x) such Lease covers less than the entire undivided oil and gas mineral fee estate in and under lands covered by such Lease or (y) the interest in any such Lease is less than the entire oil and gas leasehold estate created by such Lease; and, *provided, further, however*, that if the royalty interest payable to lessors or similar burdens with respect to any such Lease increase at a subsequent date, Seller's Retained ORRI shall be recalculated as set forth in the first sentence hereof to take such increase into account. For example, assuming no proportionate reduction is necessary (i.e., Hunt owns 100% of the Working Interest in a Lease that covers 100% of the oil and gas mineral fee estate), if the sum of the royalty interests and similar burdens with respect to a Lease prior to giving effect to the conveyance of such Lease to Assignee equals 20%, the portion of Seller's Retained ORRI burdening Assignee's interest in such Lease would be calculated as follows: $(.25 - .20) \times .35 = 1.75\%$. If the sum of the royalty interests and similar burdens with respect to such Lease subsequently increased to 22%, the portion of Seller's Retained ORRI burdening Assignee's

interest in such Lease would be reduced as follows: $(.25-.22) \times .35 = 1.05\%$. Seller's Retained ORRI is and shall be, during the term of each present valid subsisting Lease that is burdened by Seller's Retained ORRI, free and clear of, and shall not be charged with any costs of drilling, completing, equipping and operating any wells located on such Lease, but Seller's Retained ORRI shall bear its proportionate part of all ad valorem, severance, excise and production taxes.

Section 1.3 Excluded Assets. Notwithstanding anything to the contrary in this Assignment, Assignor (and its Affiliates) shall reserve and retain the Excluded Assets, all of which are excluded from the Conveyed Interests and other rights to be conveyed to Assignee hereunder, and Assignee shall have no interest in, to or under any Excluded Asset.

Section 1.4 Pooling. Assignee may voluntarily pool, communitize or unitize Seller's Retained ORRI with the Leases and other leases and lands without the consent of Assignor.

Section 1.5 No Obligations. No obligation, either express or implied, shall arise by reason of Seller's Retained ORRI that would obligate Assignee to develop or produce the Lands or to keep and maintain the Leases in force and effect.

ARTICLE II SPECIAL WARRANTY; DISCLAIMERS

Section 2.1 Special Warranty benefitting Assignee. Assignor shall warrant and forever defend title to the Properties unto Assignee against the claims and demands of all Persons claiming, or to claim the same, or any part thereof, by, through or under Assignor, but not otherwise. Assignor hereby assigns all covenants and warranties and the right to enforce all rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests, and Assignee is specifically subrogated to Assignor's interests in all rights relating thereto that Assignor may have, to the extent Assignor may legally transfer such rights and grant such subrogation. Assignor warrants to Assignee that Assignor has not granted, created or reserved any overriding royalty, net profits interest, carried interest, production payment, reversionary interest, or similar burden that would result in the Net Revenue Interest in any Lease or Well owned by Assignee immediately after giving effect to this Assignment to be less than 35% multiplied by 74.625% (such 74.625% proportionally reduced to the extent that the Working Interest in such Lease or Well owned by Assignor immediately prior to giving effect to this Assignment is less than the entire Working Interest in such Lease or Well). The Parties agree to reasonably cooperate with each other in asserting any rights, claims and causes of action that were previously made to Assignor or Assignor's Affiliates with respect to the Conveyed Interests.

Section 2.2 Disclaimers.

(a) EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE V OF THE PURCHASE AGREEMENT OR SECTION 2.1, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ASSIGNOR EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF

THE ASSETS AND (III) THOSE ITEMS SET FORTH IN THE PURCHASE AGREEMENT (INCLUDING THOSE ITEMS SET FORTH IN SECTION 7.7 THEREOF). EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN SECTION 2.1, ASSIGNOR FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT ASSIGNEE SHALL BE DEEMED TO BE OBTAINING THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT ASSIGNEE HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS OF THE ASSETS, INCLUDING THE SEISMIC DATA AND INFORMATION, AS ASSIGNEE DEEMS APPROPRIATE.

(b) ASSIGNOR AND ASSIGNEE AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 2.2 ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE III ASSUMED OBLIGATIONS

Section 3.1 *Assumed Obligations.* Assignor (subject, in each case described below, to the terms of the Purchase Agreement) (a) is taking the Conveyed Interests subject to Permitted Encumbrances, (b) assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the Assumed Obligations to the extent related to the Conveyed Interests, and (c) is taking the Conveyed Interests subject to the terms and conditions of all of the Applicable Contracts to the extent related to the Conveyed Interests, and hereby assumes and agrees to fulfill, perform, pay and discharge all obligations arising or related thereto and attributable thereunder to Assignor.

ARTICLE IV MISCELLANEOUS

Section 4.1 *Separate Assignments.* Where separate assignments of the Conveyed Interests have been or will be executed for filing with, and approval by, applicable Governmental Authorities, any such separate assignments (a) shall evidence this Assignment and assignment of the applicable Conveyed Interests herein made and shall not constitute any additional Assignment or assignment of the Conveyed Interests, (b) are not intended to modify, and shall not modify, any of the terms, covenants and conditions or limitations on warranties set forth in this Assignment or the Purchase Agreement and are not intended to create, and shall not create, any representations, warranties or additional covenants of or by the Parties, except for the special warranty of title benefitting Assignee, as set forth in Section 2.1, and (c) shall be deemed to

contain all of the terms and provisions of this Assignment, as fully and to all intents and purposes as though the same were set forth at length in such separate assignments.

Section 4.2 *Purchase Agreement.* This Assignment is delivered pursuant to the Purchase Agreement. The Purchase Agreement contains certain representations, warranties and agreements of and between the Parties, some of which survive the delivery of this Assignment, as provided for therein and shall not be merged into this Assignment or be otherwise negated by the execution or delivery of this Assignment. This Assignment shall not be construed to amend the Purchase Agreement or vary the rights or obligations of either Assignor or Assignee from those set forth in the Purchase Agreement.

Section 4.3 *Governing Law.* This Assignment and the legal relations between the Parties shall be governed and construed in accordance with the laws of the State of Texas, excluding any conflicts of law rule or principle that might refer construction of such provisions to the laws of another jurisdiction.

Section 4.4 *Successors and Assigns.* The terms and provisions of this Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective legal representatives, successors, and assigns.

Section 4.5 *Interpretation.* In construing this Assignment: (a) no consideration shall be given to the captions of the Articles, Sections, subsections or clauses, which are inserted for convenience in locating the provisions of this Assignment and not as an aid to construction and shall not be interpreted to limit or otherwise affect the provisions of this Assignment, (b) no consideration shall be given to the fact or presumption that either Party had a greater or lesser hand in drafting this Assignment, (c) the plural shall be deemed to include the singular, and vice versa, (d) each Exhibit to this Assignment is part of this Assignment, (e) each Exhibit attached to this Assignment shall be deemed incorporated herein as if set forth in full herein, and (f) all references in this Assignment to Exhibits, Articles, and Sections refer to the corresponding Exhibits to, Articles of, and Sections of this Assignment unless expressly provided otherwise.

Section 4.6 *Counterparts.* This Assignment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one assignment.

Section 4.7 *Further Assurances.* Assignor covenants and agrees to execute and deliver, or shall cause to be executed and delivered from time to time, such further instruments of conveyance and transfer, and shall take such other actions as Assignee may reasonably request, to convey and deliver the Conveyed Interests to Assignee, to perfect Assignee's record title thereto, and to accomplish the orderly partial transfer of the Conveyed Interests to Assignee in the manner contemplated by this Assignment.

ARTICLE V DEFINED TERMS

Section 5.1 *Defined Terms.* In addition to the terms defined elsewhere in this Assignment, for purposes hereof, the terms defined in this Section 5.1, when used in this Assignment, shall have the meanings set forth in this Section 5.1.

"Affiliate" shall mean with respect to a Person, any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person. The term **"control"** and its derivatives with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Contract" shall mean, to the extent they relate to the Conveyed Interests and Assignor is a party, all Contracts (i) by which any of the Properties are bound or (ii) that primarily relate to the Properties or other Conveyed Interests and (in each case) that will be binding on Assignee after giving effect to this Assignment, including farmin and farmout agreements; surface use agreements, bottomhole agreements; crude oil, condensate, and natural gas purchase and sale agreements; gathering, transportation, and marketing agreements; hydrocarbon storage agreements, acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; facilities or equipment leases; crossing agreements; letters of no objection; production handling and water use agreements; and other similar contracts and agreements, but exclusive of (x) any master service agreements or (y) contract or agreement relating to seismic data and information.

"Assumed Obligations" shall mean all obligations and liabilities, known or unknown, related to or arising out of the Conveyed Interests, regardless of whether such obligations or liabilities arose prior to or after the Transfer Time; *provided* that the Assumed Obligations shall not include any Retained Liabilities (as defined in the Purchase Agreement).

"Conveyed Depths" shall have the meaning set forth in Exhibit B.

"Contract" shall mean any written or oral contract, agreement, agreement regarding indebtedness, indenture, debenture, note, bond, loan, lease, mortgage, franchise, license agreement, purchase order, binding bid, commitment, letter of credit or any other legally binding arrangement. The definition of **"Contract"** shall not include any Lease, easement, right-of-way, crossing agreement, Permit or other instrument (other than acquisition, sales or purchase agreements) creating or evidencing an interest in the Conveyed Interests that constitutes real or immovable property related to or used in connection with the operations of any Conveyed Interests.

"Effective Time" shall mean 6:59 a.m. (Central Standard Time) on January 1, 2012.

"Excluded Assets" shall mean all right, title and interest of Assignor or any of its Affiliates in and to any property, right or asset not expressly included in the definition of "Conveyed Interests" including: (i) all corporate minute books, financial, Tax and accounting records that relate to Assignor's business generally (excluding copies of historical accounting records to the extent relating to the Conveyed Interests and separable from Assignor's records on a commercially reasonable basis); (ii) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time; (iii) except to the extent related to an Assumed Obligation, all rights and interests of Assignor (a) under any policy or agreement of insurance or indemnity, (b) under any

bond or (c) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property prior to the Transfer Time; (iv) all right, title and interest in any oil and gas or mineral leases, overriding royalties, production payments, net profits interests, fee mineral interests, fee royalty interests and other interests in oil, gas and other minerals relating to the Excluded Depths (except insofar as such interests pertain to the Conveyed Depths); (v) all Hydrocarbons produced and sold from the Properties with respect to all periods prior to the Effective Time and all proceeds attributable thereto; (vi) all claims for refunds of or loss carry forwards with respect to (a) Taxes for which Assignor is responsible pursuant to Section 8.4 of the Purchase Agreement, (b) income or franchise taxes of Assignor attributable to any period (or portion thereof) on or prior to the Transfer Time, or (c) any taxes attributable to the Excluded Assets; (vii) all of Assignor's proprietary computer software, patents, trade secrets, copyrights, names, trademarks and logos and all other intellectual property of any kind (other than the Geoscientific Data listed on Schedule 4 to the Purchase Agreement); (viii) all documents and instruments that are protected by an attorney-client privilege or that are work product of counsel (other than title opinions relating solely to the Conveyed Interests); (ix) all data that cannot be disclosed to Assignee as a result of confidentiality arrangements under agreements with Third Parties to the extent consent for disclosure is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (x) all licensed seismic data and related information relating to the Assets that requires Third Party consent for partial assignment to Assignee if such consent is not obtained or obtainable without the payment of any funds that Assignee has not paid or the expenditure of commercially unreasonable efforts; (xi) documents prepared or received by Assignor or its Affiliates with respect to (a) lists of prospective purchasers for transactions compiled by Assignor or its Affiliates, (b) bids submitted by other prospective purchasers of the Conveyed Interests, (c) analyses by Assignor or its Affiliates of any bids submitted by any prospective purchaser, (d) correspondence between or among Assignor, its Affiliates and its and their respective representatives, and any prospective purchaser, and (e) correspondence between Assignor or its Affiliates or any of its or their respective representatives with respect to any of the bids, the prospective purchasers, or the transactions contemplated in this Assignment, the Purchase Agreement or the other Related Agreements; (xii) any offices, office leases or personal property not directly related and necessary to the production of Hydrocarbons from the Properties (for example, trucks and computers); (xiii) any Conveyed Interests that are excluded from the transaction contemplated by the Purchase Agreement by virtue of any provisions hereof or thereof (including Properties re-conveyed to Assignor pursuant to Section 3.2 or Section 3.4(c) of the Purchase Agreement); (xiv) Assignor's bonds; (xv) any amounts in suspense as of the Transfer Time; (xvi) all Imbalances relating to the Properties or other Conveyed Interests arising before the Transfer Time; (xvii) originals and copies of all Records, subject to Assignee's right to obtain a copy of such Records at its sole cost and expense pursuant to Section 1.1(i); and (xviii) all rights arising under or attributable to the Retained Interests, including the right to use all or any portion of the Retained Interests in respect of the ownership, development, operation and production of the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths), including the non-exclusive right of ingress and egress across the Assets and through the Conveyed Depths and the non-exclusive right to use the Rights-of-Way in respect of the ownership, development, operation and production of the Excluded Depths and the gathering, storage, transportation and marketing of

Hydrocarbons produced from the Excluded Depths (to the extent such use does not materially interfere with the ownership, development, operation or production of the Conveyed Depths). For the avoidance of doubt, Assignor's interest in the Retained Interests, including Seller's Retained ORRI, are Excluded Assets.

"Excluded Depths" shall mean any oil and gas horizons underlying the surface of the Lands covered by the Leases that are not expressly included in the definition of ***"Conveyed Depths."***

"Geoscientific Data" shall mean all geological, geographical and/or geophysical maps, surveys, field tapes, data, processings, interpretations, prospects, and other related information owned by Assignor or its Affiliate and to the extent relating to the Conveyed Interests.

"Governmental Authority" shall mean any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

"Hydrocarbons" shall mean oil and gas and other hydrocarbons produced or processed in association therewith.

"Imbalance" shall mean any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well and allocated to the interests of Assignor therein and the shares of production from the relevant Well to which Assignor was entitled, or at the pipeline flange between the amount of Hydrocarbons nominated by or allocated to Assignor and the Hydrocarbons actually delivered on behalf of Assignor at that point.

"Joint Interest" shall have the meaning set forth in the Purchase Agreement.

"Law" shall mean any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority.

"Net Revenue Interest" with respect to any Well or Lease, shall mean the interest in and to all Hydrocarbons produced, saved, and sold from or allocated to such Well or Lease, after giving effect to all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests, and other burdens upon, measured by, or payable out of production therefrom.

"Oil and Gas Leases" shall have the meaning set forth in the Purchase Agreement.

"Operating Data" shall mean operations, environmental and production data (including operational and technical work product) to the extent relating to the Conveyed Interests, but in each case excluding any information that cannot, without commercially unreasonable effort or expense that Assignee does not agree to undertake or pay, as applicable, be separated from any files, records, maps, information and data relating to the Excluded Assets.

"Permit" shall mean any permit, consent, authorization, approval, registration, license, exemption, certificate, order, waiver, franchise, variance, right, or other authorization granted by or obtained from any Governmental Authority.

"Permitted Encumbrances" shall have the meaning set forth in the Purchase Agreement.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"Purchase Agreement" shall mean the Purchase and Sale Agreement, dated December 28, 2011, by and between Assignor and Assignee.

"Related Agreements" shall have the meaning set forth in the Purchase Agreement.

"Retained Interests" shall mean the 65% undivided interest in and to the Assets held by Assignor after giving effect to the purchase and sale of the Conveyed Interests, along with the Seller's Retained ORRI, as contemplated by Section 1.2 and shall include (i) all right, title and interest held by Assignor that is held as a tenant in common with Assignee after the Transfer Time and (ii) all production of Hydrocarbons related thereto.

"Tax" shall have the meaning set forth in the Purchase Agreement.

"Third Party" shall mean any Person other than a Party or an Affiliate of a Party.

"Working Interest" shall mean, with respect to a Well or Lease, the interest in and to such Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

[Signature Page Follows]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment to be effective as of the Transfer Time.

ASSIGNOR:

HUNT OIL COMPANY

By: 
Bill Rex
Vice President

STATE OF TEXAS

§
§
§

COUNTY OF DALLAS

This instrument was acknowledged before me on this 17th day of May 2012, by Bill Rex, Vice President of Hunt Oil Company, a Delaware corporation, on behalf of said corporation.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

000997283 BK

Vol 611


Pg 79

[Signature Page to Assignment]

ASSIGNEE:

MARUBENI EAGLE FORD LP

By: Marubeni Shale Investment GP LLC,
its general partner

By: 
Keiichiro Mano
Vice President

STATE OF TEXAS

§

§

COUNTY OF HARRIS

§

This instrument was acknowledged before me on this 17th day of May, 2012, by Keiichiro Mano, Vice President of Marubeni Shale Investment GP LLC, a Delaware limited liability company and general partner of Marubeni Eagle Ford LP, a Texas limited partnership, on behalf of said limited partnership.




Notary Public
Printed Name: Angela Singley
My Commission Expires: _____

[Signature Page to Assignment]

Plaintiff's App. 00982

00895283

Bk

891

F9

EXHIBIT A
EAGLE FORD LEASES AND WELLS

Exhibit A-1: Leases: See attached spreadsheet.

Exhibit A-2: Wells: See attached spreadsheet.

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**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres
HL086570	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	3094.077 ACS, AMEND. 1/6/11 TO 4,888.368 ACS, LASALLE & McMULLEN COS., TX BEING IN E. M. Rudder Svy No. 503, A-938, CCSD&RGNG RR, H&OB RR CO SVY NO 29, A-584, M E LANE SVY NO 6, A-620, M E LANE SVY NO 4, A-619, GWT&P RR CO SVY NO 5, A-534, M E LANE SVY NO 10, A-688, J W LANE SVY NO 26, A-693, J W LANE SVY NO 18, A-692, GWT&P RR CO SVY A-540, S O PETTUS SVY NO 4, A-353, J I DIAZ SVY NO 3, A-175 AND E M RUDDER SVY, NO 506, A-939 CO SVY NO 45, 596	LASALLE / MCMULLEN	Vol 448, Pg 148, Doc 62192; Vol 459, Pg 55, Doc 78912	3094.077	1547.039
HL086573	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	07/25/06	07/25/12	4224.7175 ACS, LASALLE CO BEING IN H&GN RR CO SVY, NO 41, A-220, S HUMMEL SVY NO 42, A-1391, G W VON ROEDER SVY NO 34, A-1314, H&GN RR CO SVY NO 33, A-216, H&GN RR CO SVY NO 247, A-322, R CURTIS SVY NO 248, A-1138, H&NG RR CO SVY NO 249, A-323, CCSD & RCNG RR CO SVY NO 757, A-850 AND H&GN RR CO SVY NO 35, A-217	LASALLE	Vol 459, Pg 53, Doc 78911	4888.368	2444.184

**Exhibit A-1 to Assignment,
LaSalle and McMullen Counties**

Lse No	Lse Sfx	Lessor Description	Lessee Name	Lse Date	Lse Exp Dte	Legal Formatted Desc	County Name	Recording Information	Lease Gross Acres	Hunt Net Acres ⁶
HL086575	00	SOUTH TEXAS SYNDICATE TRUST	BROAD OAK ENERGY INC	02/26/07	02/26/13	2371.205 ACS, AMENDED 1/61/11 TO 1,707.555 ACS BEING IN GWT&P RR CO SVY NO 11,A-537, GWT&P RR CO SVY NO 13,A-538, GWT&P RR CO SVY NO 7 A-533, BS&F SVY NO 1, A-577, M E LANE SVY NO 8, A-621, M E LANE SVY NO 30, A-622 AND CCSD&RGNG RR CO SVY NO 759, A-851	LASALLE / MCMULLEN	Vol 451, Pg 136, Doc 62602; Vol 461, Pg 525, Doc 79395	1707.555	853.778

Exhibit A-2**Wells**

Well	API Number	WI	NRI	Operator	Spud Date
STS A-1391 #1H	42283323000000	0.5000	0.3731	HOC	7/14/2010
STS A-1391 #2H	42283326480000	0.5000	0.3731	HOC	6/18/2011
STS A-692 #1H	42311346010000	0.5000	0.3731	HOC	8/22/2011
STS A-692 #2H	42311346500000	0.5000	0.3731	HOC	10/6/2011
STS A-1391 #3H	42283328720000	0.5000	0.3731	HOC	11/20/2011
STS A-1391 #4H	42283329710000	0.5000	0.3731	HOC	TBD

EXHIBIT B
CONVEYED DEPTHS

All depths included in the interval from the surface to the correlative stratigraphic equivalent of the depth that is 100 feet below the base of the Buda Formation as such formation is defined in the Array Induction Log run on September 12, 2011, for the Hunt Oil Company Zaiontz #1H Well, Andres Hernandez Survey, A-17, Wilson County, Texas, API # 42-493-32599. The base of the Buda Formation is defined at a measured depth of 7972 feet in said well.



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Demand for Eagle Ford acreage continues as Marubeni buys share from Hunt Oil

January 9, 2012
 By Mikaila Adams
 OGFJ Senior Associate Editor

Marubeni Corp. recently became Japan's largest owner of American shale oil acreage when it announced it had acquired nearly 52,000 net acres in the [Eagle Ford Shale](#) from Hunt Oil.

The Japanese trading company recently signed a deal with Dallas-based Hunt in which it will acquire a 35% working interest in oil and gas leases in South Texas' liquids-rich unconventional resources play.

Privately-held Hunt, coming in at No. 13 in the [OGFJ100P](#) listing of privately held companies, holds acreage throughout the play, but, according to Global Hunter Securities (GHS) in a note to investors January 6, records indicate they've only drilled three Eagle Ford wells, located in LaSalle, Gonzales, and Wilson Counties.

Perhaps this agreement will change that as the two companies plan to drill several hundred wells in the next five to ten years. Together, the companies will also look to jointly acquire additional acreage in the play.

While the acquisition cost was not reported, Evaluate Energy estimates total development costs (including acquisition costs on Marubeni's share basis) of nearly US\$ 1.3 billion.

GHS' estimates backed up the possible transaction costs, noting Marubeni paid roughly \$1.3 billion or approximately \$25,000 per acre on an acreage-only basis from the private operator, an amount much higher than its estimated [\\$5,000 per acre it paid to Marathon Oil Corp.](#) for a portion of its [Niobrara Shale](#)-focused acreage back in April 2011.

Excitement surrounding the liquids-rich Eagle Ford has certainly been palatable. Evaluate Energy calls the Eagle Ford "2011's most expensive shale play (averaging at \$10,000 per undeveloped acre)," and, according to GHS analysts, this most recent transaction "shows that demand to gain a stake in Eagle Ford isn't cooling."

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02/01/2012The largest deal of the 30-day period from mid-December to mid-January involves a Chinese firm and emerging North American unconventional plays.

OGFJ100P company update

01/01/2012 Independent research firm IHS Herold Inc. has provided OGFJ with updated production data for our periodic ranking of US-based private E&P companies.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

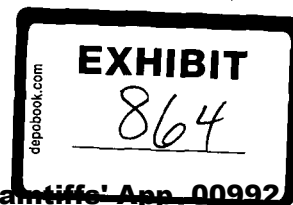
Petrohawk Energy Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):



(4) _____
Proposed maximum aggregate value of transaction:

(5) _____
Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) _____
Form, Schedule or Registration Statement No.:

(3) _____
Filing Party:

(4) _____
Date Filed:



Petrohawk Energy Corporation

1000 Louisiana, Suite 5600
Houston, Texas 77002
Telephone (832) 204-2700

**Annual meeting of stockholders
to be held on May 18, 2011**

April 16, 2011

Dear Stockholder:

You are cordially invited to attend Petrohawk Energy Corporation's 2011 annual meeting of stockholders on Wednesday, May 18, 2011, at 10:00 a.m., Central Daylight Time, to be held at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002.

The enclosed notice of annual meeting and the proxy statement describe the matters to be acted upon during the meeting. In addition, there will be a report on the state of Petrohawk's business and an opportunity for you to ask questions of Petrohawk's management.

You may vote your shares by submitting a proxy by Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card or by voting your shares in person at the meeting. The proxy card describes your voting options in more detail. If you need assistance, please contact Joan Dunlap, Vice President—Investor Relations, at (832) 204-2737. Our annual report to the stockholders including our annual report on Form 10-K for the fiscal year ended December 31, 2010 also accompanies the proxy statement.

The annual meeting gives us an opportunity to review Petrohawk's results and discuss the steps Petrohawk has taken to position itself for the future. We appreciate your ownership of Petrohawk common stock, and I hope you will be able to join us at the annual meeting.

Sincerely,

A handwritten signature in black ink that reads "Floyd C. Wilson".

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*



Petrohawk Energy Corporation

1000 Louisiana, Suite 5600

Houston, Texas 77002

Telephone (832) 204-2700

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 18, 2011**

Notice is hereby given that the annual meeting of stockholders of Petrohawk Energy Corporation will be held on Wednesday, May 18, 2011 at 10:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002, for the following purposes:

1. To elect three directors to our board of directors to serve as Class I directors in accordance with our bylaws;
2. To approve, in a nonbinding advisory vote, the compensation of our named executive officers;
3. To determine, in a non-binding advisory vote, whether a stockholder vote to approve the compensation of our named executive officers should occur every one, two or three years;
4. To approve amendments to our Third Amended and Restated 2004 Employee Incentive Plan;
5. To ratify the appointment of Deloitte & Touche LLP, an independent registered public accounting firm, as our independent registered public accountants for the fiscal year ending December 31, 2011; and
6. To transact such other business as may properly come before the annual meeting or any adjournment thereof.

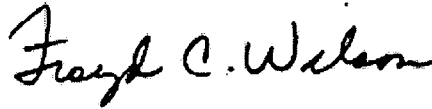
The board of directors has approved the close of business on March 31, 2011, as the record date for determining the stockholders of Petrohawk entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement thereof. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of our stockholders entitled to vote at the meeting will be available for examination at our offices in Houston, Texas during ordinary business hours for a period of ten (10) days prior to the meeting.

All stockholders are cordially invited to attend the meeting. Whether or not you expect to attend the annual meeting in person, please submit a proxy as soon as possible. In order to submit a proxy, please call the toll-free number listed on the enclosed proxy card, use the Internet as described on the enclosed proxy card, or complete, date and sign the enclosed proxy card and return it in the enclosed envelope, which requires no additional postage if mailed in the United States. If you attend the meeting, and if you so choose, you may withdraw your proxy and vote in person. If your shares are held in "street name" by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast for the election of directors or the approval of executive compensation matters unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Please review the proxy statement

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accompanying this notice for more complete information regarding the matters to be voted on at the meeting. You may revoke your proxy at any time before it is voted.

By order of the Board of Directors of
Petrohawk Energy Corporation:

A handwritten signature in black ink, reading "Floyd C. Wilson". The signature is written in a cursive style with a large, stylized "F" and "W".

Floyd C. Wilson
*Chairman of the Board of Directors
and Chief Executive Officer*

April 16, 2011

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE 2011 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2011.**

Petrohawk's Proxy Statement for the 2011 Annual Meeting of Stockholders, the Annual Report to Stockholders for the fiscal year ended December 31, 2010 and the Company's Annual Report on Form 10-K for the year ended December 31, 2010 are available at

<http://www.amstock.com/ProxyServices/ViewMaterials.asp?CoNumber=14076>.

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Petrohawk Energy Corporation

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Telephone (832) 204-2700

PROXY STATEMENT

**FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 18, 2011**

GENERAL INFORMATION

These proxy materials are furnished to you in connection with the solicitation of proxies by the board of directors of Petrohawk Energy Corporation, a Delaware corporation (referred to in this proxy statement as Petrohawk, the Company, we, us, or our) for the annual meeting of our stockholders to be held on Wednesday, May 18, 2011 at 10:00 a.m., Central Daylight Time, at the Wells Fargo Plaza Auditorium, 1000 Louisiana, Houston, Texas 77002. The proxies also may be voted at any adjournments or postponements of the annual meeting.

This proxy statement, together with our annual report to the stockholders including our annual report on Form 10-K for the year ended December 31, 2010, are being mailed on or about April 16, 2011 to holders of record of our common stock as of March 31, 2011. The specific proposals to be considered and voted upon at the annual meeting are summarized in the notice of annual meeting of stockholders. Each proposal is described in more detail in this proxy statement.

Voting and Revocation of Proxies

If you provide specific voting instructions, your shares will be voted as you instruct. Whether you hold shares directly as a stockholder of record, or beneficially in street name, you may direct how your shares are voted at the annual meeting. If you are a stockholder of record, you may vote by submitting a proxy or by voting in person at the annual meeting, and if you hold your shares in street name, you may vote by submitting voting instructions to your broker or trustee or nominee. You may cast your vote by proxy as follows:

- By Internet—you may vote using the Internet and voting at the website listed on the enclosed proxy/voting instruction card, or the "proxy card";
- By telephone—you may vote by using the toll-free telephone number listed on the enclosed proxy card; or
- By mailing the proxy card—you may vote by completing, signing, dating and mailing the enclosed proxy card in the enclosed pre-addressed postage-paid envelope.

Unless you otherwise direct in your proxy, the individuals named in the proxy card will vote the shares represented by such proxy in accordance with the recommendations of our Board unless otherwise indicated. If you hold your shares in street name, please refer to the proxy card forwarded by your bank, broker, or other nominee to see which voting options are available to you and directions on how to vote. If you vote by Internet or by telephone, you need not return your proxy card. Proxies granted by telephone or over the Internet, in accordance with the procedures set forth on the proxy card, will be valid under Delaware law.

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If you sign the proxy card of your broker, trustee or other nominee but do not provide instructions, your shares will not be voted unless your broker, trustee or other nominee has discretionary authority to vote. When a broker, trustee, or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have authority to vote in the absence of timely instructions from the beneficial owner, this is referred to as a "broker non-vote." The New York Stock Exchange, or the NYSE, permits brokers to have discretionary authority to vote the shares of a beneficial owner in the ratification of Deloitte & Touche LLP ("Deloitte") as our independent registered public accountants. **NYSE rules provide that brokers do not have discretionary voting authority with respect to the election of directors, executive compensation matters or material revisions to the terms of an existing equity compensation plan. Out of the five proposals that will be brought to a vote at our 2011 annual meeting of stockholders, brokers will only have discretionary voting authority with respect to the ratification of the appointment of our registered independent public accountants. It is therefore very important that you indicate on the proxy card of your broker how you want your shares to be voted in the election of the three nominees named in this proxy statement and each of the other proposals to be voted upon at our 2011 annual meeting of stockholders.**

The board of directors is not aware of any business to be brought before the annual meeting other than as indicated in the notice of annual meeting of stockholders. If other matters do come before the meeting, the persons named in the proxy card will vote the shares represented by the proxy in his or her best judgment.

Revocation of Proxy. A proxy may be revoked by a stockholder at any time prior to it being voted by:

- delivering a revised proxy (by one of the methods described above) bearing a later date;
- voting in person at the annual meeting; or
- notifying our Secretary of the revocation in writing at our address set forth above in time to be received before the annual meeting.

Attendance at the meeting alone will not effectively revoke a previously executed and delivered proxy. If a proxy is properly executed and is not revoked by the stockholder, the shares it represents will be voted at the meeting in accordance with the instructions from the stockholder. If the proxy card is signed and returned without specifying choices, the shares will be voted in accordance with the recommendations of our board of directors.

If your shares are held in an account at a broker or other nominee, you should contact your broker or other nominee to change your vote.

Record Date and Vote Required for Approval. The record date with respect to this solicitation is March 31, 2011. All holders of record of our common stock as of the close of business on March 31, 2011 are entitled to vote at the annual meeting and any adjournment or postponement thereof for which a new record date has not been established. As of March 31, 2011, we had 303,748,482 shares of common stock outstanding. Each share of common stock is entitled to one vote. Our stockholders do not have cumulative voting rights. In accordance with our bylaws, the holders of a majority of the outstanding shares of our common stock entitled to vote, represented in person or by proxy, shall constitute a quorum at the annual meeting. If a quorum is not present at the annual meeting, a vote for adjournment will be taken among the stockholders present or represented by proxy. If a majority of the stockholders present or represented by proxy vote for adjournment, it is our intention to adjourn the meeting until a later date and to vote proxies received at such adjourned meeting. The place and date to which the annual meeting would be adjourned would be announced at the meeting, but would in no event be expected to be more than 30 days after the date of the annual meeting.

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Assuming that a quorum is present, the affirmative vote of a plurality of the votes cast is required for the election of directors at the annual meeting. This means that the director nominees receiving the most affirmative votes are elected for the available board positions. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent that the failure to vote for an individual results in another candidate receiving a larger number of votes.

The vote to approve executive compensation will be approved on an advisory basis if it receives the affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy. The vote regarding frequency of a stockholder advisory vote on executive compensation will be determined on an advisory basis by whichever of the choices—annually, every other year or every three years—receives the greatest number of votes cast.

Delaware law and our bylaws provide that with respect to the remaining proposals, the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required for approval. Therefore, the approval of the proposed amendments to our Third Amended and Restated 2004 Employee Incentive Plan and the ratification of the appointment of Deloitte as our independent registered public accountants require the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the meeting and entitled to vote on those matters.

If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur when a broker is not permitted to vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers that have not received voting instructions from their clients cannot vote on their clients' behalf on "non-routine" proposals. For purposes of our 2011 annual meeting, brokers will be prohibited from exercising discretionary authority with respect to all proposals except the ratification of the appointment of our independent registered public accountants. While broker non-votes are counted for the purposes of obtaining a quorum for the meeting, in tabulating the voting result for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote. Thus, assuming that a quorum is obtained, broker non-votes will not affect the outcome of any of the proposals. Abstentions are counted as "shares present" at the meeting for purposes of determining the presence of a quorum and entitled to vote with respect to any matters being voted upon at the meeting. Abstentions will have no effect on the outcome of the election of directors and the advisory vote on the frequency of executive compensation vote, but with respect to each of the remaining proposals, an abstention will operate to prevent the approval of such proposal to the same extent as a vote against such proposal.

Proxy Solicitation. We will bear all costs relating to the solicitation of proxies. We have retained Georgeson Inc. to aid in the solicitation of proxies, at an estimated cost of \$7,500 plus reimbursement of out-of-pocket expenses, custodial charges in connection with payment by Georgeson of charges of brokers and banks on our behalf, and additional charges which may be incurred in connection with the solicitation of proxies by telephone. Proxies may also be solicited by officers, directors and employees personally, by mail, or by telephone, facsimile transmission or other electronic means. On request, we will pay brokers and other persons holding shares of stock in their names or in those of their nominees, which in each case are beneficially owned by others, for their reasonable expenses in sending soliciting material to, and seeking instructions from, their principals.

Submission of Stockholder Proposals. The deadline for submitting stockholder proposals for inclusion in our 2012 proxy statement and form of proxy for our annual meeting in 2012 is December 17, 2011. See "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders" below for additional information.

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We will provide to any stockholder, without charge and upon the written request of the stockholder, a copy (without exhibits, unless otherwise requested) of our annual report on Form 10-K as filed with the United States Securities and Exchange Commission (the "SEC") for our fiscal year ended December 31, 2010. Any such request should be directed to Joan Dunlap, Vice President—Investor Relations at 1000 Louisiana, Suite 5600, Houston, Texas 77002, telephone number: (832) 204-2737. The annual report to the stockholders accompanying this proxy statement including the annual report on Form 10-K for our fiscal year ended December 31, 2010 is not part of the proxy solicitation materials.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following sets forth beneficial ownership of our common stock by beneficial owners of more than five percent of our common stock as of March 31, 2011, based solely upon statements they have filed with the SEC pursuant to Sections 13(g) or 13(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Unless otherwise indicated, the named person below has the sole voting and dispositive powers with respect to the shares of our common stock set forth opposite such person's name.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	19,239,933 ⁽¹⁾	6.33%

- (1) According to, and based solely upon, Schedule 13G filed by BlackRock, Inc. with the SEC on February 8, 2011: BlackRock, Inc. has the sole power to vote or direct the vote with respect to 19,239,933 shares of Petrohawk common stock, and the sole power to direct the disposition of 19,239,933 shares of Petrohawk common stock. Various persons (other than BlackRock, Inc.) have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the 19,239,933 shares of Petrohawk common stock beneficially owned by BlackRock, Inc. No one such person's interest in Petrohawk common stock is more than five percent of the total number of Petrohawk common stock outstanding.

OUR BOARD OF DIRECTORS AND ITS COMMITTEES

The Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our bylaws specify that we shall not have less than one nor more than eleven directors, and our board currently has nine members. Under our bylaws, each director holds office until the annual stockholders' meeting at which such director's class is up for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Our certificate of incorporation provides that our board of directors is classified into three classes: Class I, Class II and Class III, each class having a three-year term of office. As discussed more fully below under "Proposal I—Election of Directors," three of our current directors, Floyd C. Wilson, Gary A. Merriman and Robert C. Stone, Jr. have been nominated for reelection at our 2011 annual meeting because of the expiration of the term of their class, Class I, on our classified board of directors.

The following table sets forth the names and ages of all current directors, the positions and offices with us held by such persons, the years in which their current terms as directors expire and the length of their continuous service as a director:

Name	Director Since	Age	Position	Expiration of Term
Floyd C. Wilson	May 2004	64	Chairman of the Board and Chief Executive Officer	2011
James W. Christmas	July 2006	63	Vice Chairman of the Board	2012
Thomas R. Fuller	March 2006	63	Director	2012*
James L. Irish III	May 2004	66	Director	2012
Gary A. Merriman	July 2006	56	Director	2011
Robert G. Raynolds	July 2006	59	Director	2013
Stephen P. Smiley	April 2010	62	Director	2013
Robert C. Stone, Jr.	September 2000	62	Director	2011*
Christopher A. Viggiano	July 2006	57	Director	2013

* As a consequence of the resignation as director of Mr. Tucker S. Bridwell in December 2010, the number of our directors was reduced to nine, and Messrs. Fuller and Stone each advanced by one class, from 2013 to 2012 and 2012 to 2011, respectively (shortening their terms of office accordingly), so as to address the imbalance in the number of directors in each class.

Floyd C. Wilson has served as our Chairman of the Board and Chief Executive Officer since May 25, 2004. Mr. Wilson also served as our President from 2004 to 2009. Prior to May 2004, he was President and Chief Executive Officer of PHAWK, LLC, an oil and natural gas company that he founded in June 2003. Mr. Wilson was the Chairman and Chief Executive Officer of 3TEC Energy Corporation, an oil and natural gas company with properties concentrated in East Texas and the Gulf Coast from August 1999 until its merger with Plains Exploration & Production Company in June 2003. In 1998, Mr. Wilson founded W/E Energy Company L.L.C., formerly known as 3TEC Energy Company L.L.C., to make investments in oil and natural gas properties and companies, and he served as its President until August 1999. Mr. Wilson began his career in the energy business in Houston, Texas in 1970 as a completion engineer. He moved to Wichita, Kansas in 1976 to start an oil and gas operating company, one of several private energy ventures which preceded the formation of Hugoton Energy Corporation in 1987, where he served as Chairman, President and Chief Executive Officer. In 1994, Hugoton completed an initial public offering and was merged into Chesapeake Energy Corporation in 1998.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Wilson's contributions to the

board, determined that his role as the Company's Chief Executive Officer, his

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experience in the energy industry and his many years of service as a director and chief executive officer of oil and natural gas exploration and production companies provide significant contributions to the Company's board of directors.

James W. Christmas has served as a director since July 12, 2006, effective upon the merger of KCS Energy, Inc. ("KCS") into the Company. Mr. Christmas has served as Vice Chairman of the Board of Directors since July 12, 2006. He also serves on the Audit Committee and the Nominating and Corporate Governance Committee. He served as President and Chief Executive Officer of KCS from 1988 until April 2003 and Chairman of the Board and Chief Executive Officer of KCS until its merger into the Company. Mr. Christmas was a Certified Public Accountant in New York and was with Arthur Andersen & Co. from 1970 until 1978 before leaving to join National Utilities & Industries ("NUI"), a diversified energy company, as Vice President and Controller. He remained with NUI until 1988, when NUI spun out its unregulated activities that ultimately became part of KCS. As an auditor and audit manager, controller and in his role as CEO of KCS, Mr. Christmas was directly or indirectly responsible for financial reporting and compliance with SEC regulations, and as such has extensive experience in reviewing and evaluating financial reports, as well as in evaluating executive and board performance and in recruiting directors.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Christmas's contributions to the board, determined that his prior experience as an executive and director and his past audit, accounting and financial reporting experience provide significant contributions to the Company's board of directors.

Thomas R. Fuller has served as a director since March 6, 2006. Mr. Fuller serves on Petrohawk's Reserves Committee, and is the Chairman of the Nominating and Corporate Governance Committee. Since December 1988, Mr. Fuller has been a principal of Diverse Energy Management Co., a private upstream acquisition, drilling and production company which also invests in other energy-related companies. Mr. Fuller has earned degrees from the University of Wyoming and the Louisiana State University School of Banking of the South and is a Registered Professional Engineer in Texas. He has 40 years of experience as a petroleum engineer, specializing in economic and reserves evaluation. He has served as an employee, officer, partner or director of various companies, including ExxonMobil, First City National Bank, Hillin Oil Co., Diverse Energy Management Co. and Rimco Royalty Partners. Mr. Fuller also has extensive experience in energy-related merger and acquisition transactions, having generated and closed over 90 producing property acquisitions during his career. As a primary lending officer to many independent energy companies, Mr. Fuller has extensive experience in analyzing and evaluating financial, business and operational strategies for energy companies.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Fuller's contributions to the board, determined that his petroleum engineering and energy-related acquisitions and analytical experience provide significant contributions to the Company's board of directors.

James L. Irish III has served as a director since May 25, 2004. Mr. Irish serves as the Company's Chairman of the Audit Committee and as its Lead Director (our lead independent director). Mr. Irish served as a director of 3TEC Energy Corporation from 2002 until June 2003, and has served as an advisory director of EnCap Investments L.P. since October 2007. For over 30 years, until his retirement in December 2001, Mr. Irish practiced law with Thompson & Knight LLP, a Texas-based law firm that represents multinational and independent oil and gas companies, host government oil and gas companies, large utilities, private power plants, energy industry service companies, refineries, petrochemical companies, financial institutions, and multinational drilling contractors and construction companies. Mr. Irish's practice specialized in the area of energy finance and focused on the representation of insurance companies, pension plan managers, foundations and other financial institutions with respect to their equity and debt oil and gas investments and their related legal, regulatory and structural issues. Mr. Irish has also represented energy companies in connection with

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project financings, joint ventures, master limited partnerships and similar matters and has represented banks and other financial institutions with issues of revolving credit, project, term and other oil and gas loans. Mr. Irish served as chair of the energy group of Thompson & Knight LLP and was its sole Vice President or Managing Partner for over ten years prior to his retirement. Mr. Irish has been named since 1987 in Corporate Law by *The Best Lawyers in America* and has been included as a *Texas Super Lawyer* by *Texas Monthly* in Energy & Natural Resources and Securities & Corporate Finance.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Irish's contributions to the board, determined that his experience in legal, financial and transactional matters affecting oil and natural gas companies provide significant contributions to the Company's board of directors.

Gary A. Merriman has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves as the Chairman of the Compensation Committee and as a member of the Nominating and Corporate Governance Committee. Mr. Merriman had served as a director of KCS since April 2005. Mr. Merriman left Conoco Inc. in 2002 after having begun his career in the oil and natural gas industry there in 1976 following graduation from Marietta College with a Bachelor of Science in Petroleum Engineering. He held various engineering and supervisory positions with Conoco, including as a production superintendent in West Texas and engineering manager for Conoco's western Gulf of Mexico operations. In 1991, Mr. Merriman attended the Massachusetts Institute of Technology (MIT) as a Sloan Fellow, earning a Masters of Science in Management in 1992 and spent the following three years as a general manager of operations for Conoco in Aberdeen, Scotland. In 1995, Mr. Merriman was the President of Conoco Indonesia Inc. in Jakarta. In 1997, Mr. Merriman was the General Manager of the Rockies business unit in Denver for Conoco and in 1999, Mr. Merriman became the President of Exploration and Production for Conoco in the Americas with responsibilities for operations in the U.S. and South America.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Merriman's contributions to the board, determined that his petroleum engineering background and operational and management experience in the oil and natural gas industry provide significant contributions to the Company's board of directors.

Robert G. Raynolds has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. He serves on the Company's Reserves Committee. Mr. Raynolds is an exploration geologist with 35 years of experience in university teaching, with international applied-geological research experience in oil and gas exploration. He has been an independent consulting geologist for several major and independent oil and gas companies from 1992 until the present. After earning his PhD in geology at Dartmouth College, Mr. Raynolds taught on a Fulbright fellowship at the Center for Excellence in Geology at the University of Peshawar in Peshawar, Pakistan. He later taught at Dartmouth College and is currently an adjunct professor at the Colorado School of Mines. He has taught graduate level classes and seminars in structure, sequence stratigraphy and regional tectonics and undergraduate classes in remote sensing, stratigraphy of North America and field methods. He also instructs industry courses on sedimentation in extensional basins and stratigraphic analyses of regressive marine sequences. Mr. Raynolds has done geological field work and research in Europe, Africa, South America, and in Asia. He has exploration experience with Exxon and Amoco Production Companies involving exploration in Mexico, Australia, Pakistan, Egypt, Kenya, Burundi and Tanzania. Mr. Raynolds has domestic exploration experience that includes the Gulf Coast Tertiary, California onshore basins and Rocky Mountain basins and has initiated and conducted exploration in targeted shale gas plays in the Mancos, Lewis and Bearpaw shales of the Cretaceous Interior Seaway. He has extensive experience with log interpretation, subsurface mapping and correlation, 2-D and 3-D seismic interpretation, play analysis, field size distribution analysis and exploration strategy development. For the past ten years Mr. Raynolds has been a researcher and teacher at the Denver Museum of Nature & Science. Currently, his applied research has focused on groundwater resources and has included research in

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Bolivia and Argentina to investigate modern analogs to help define subtle stratigraphic controls on groundwater distribution in Colorado.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Raynolds's contributions to the board, determined that his petroleum engineering and exploration experience provide significant contributions to the Company's board of directors.

Stephen P. Smiley has served as a director since April 5, 2010. Mr. Smiley serves on the Company's Audit Committee and the Nominating and Corporate Governance Committee. Upon his retirement from Hunt Private Equity Group in September 2010, Mr. Smiley founded and is the sole partner of Madison Lane Partners, LLC, an advisory and investment company. Mr. Smiley was the Co-founder and President of Hunt Private Equity Group, Inc. since 1996. During his time at Hunt Private Equity Group, he raised and managed a private equity fund to invest in leveraged buyouts and growth financings for various middle market companies. At Hunt Private Equity Group he was also responsible for managing relationships with institutional, family and individual investors, and for sourcing, evaluating, financing and managing the portfolio. Mr. Smiley also serves on the boards of Dynamex, Inc., a publicly traded company where he serves on the compensation, audit, governance and executive committees, and Ginsey Holdings, Inc., where he serves on the audit committee. Before he joined Hunt Private Equity Group, from 1991 to 1995 he co-founded and served as the chief executive officer of Cypress Capital Corporation where he raised and managed a multi-million dollar fund to invest in leveraged buyouts, industry consolidations and growth financings in the middle market. From 1989 to 1991 Mr. Smiley worked in the venture capital group at Citicorp/Citibank, N.A. Mr. Smiley holds a Bachelor of Arts from the University of Virginia and a Master of Business Administration from the College of William and Mary and has 30 years of corporate finance and investing experience, and over 20 years of corporate governance experience.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Smiley's nomination to the board, determined that his experience in investing and financial matters and corporate governance would provide significant contributions to the Company's board of directors.

Robert C. Stone, Jr. has served as a director since September 2000. Mr. Stone is a member of the Company's Compensation Committee and is the Chairman of the Reserves Committee. Additionally, he has served on the Company's Audit Committee and Nominating and Corporate Governance Committee. Mr. Stone formed ENG Energy Advisory, LLC in 2007 and serves as its managing member. ENG provides advisory and consulting services to independent exploration and production companies with emphasis on capital formation, corporate strategy and acquisition and divestiture of producing properties. Mr. Stone retired in June 2007 from his position as Senior Vice President/Manager of Energy Lending at Whitney National Bank in New Orleans, Louisiana, where he was employed since 2000. Prior to this position, Mr. Stone was Manager of Energy Technical Services, Energy/Maritime Division at Hibernia National Bank from 1998 to 2000, where he had evaluation responsibilities for all syndicated and direct lending to exploration and production industry clients. Mr. Stone has held senior management positions in energy banking for over 21 years. Mr. Stone began his banking career as an engineer with First National Bank of Commerce in New Orleans in 1983. Prior to that, Mr. Stone earned a Bachelor of Science in Industrial Engineering and a Masters of Engineering (Petroleum Option) from the University of Houston. During and after his graduate work he was a teaching fellow with assignments in Engineering Economics and Engineering Statistics. Upon graduation he worked for Exxon Company, USA (now ExxonMobil Corporation) for seven years in increasingly responsible technical positions relating to the economic evaluation of oil and gas reserves and the management of engineers involved in reservoir and subsurface engineering. He was also a Founding Governor of the City Energy Club of New Orleans and is involved with many civic organizations in New Orleans where he still resides.

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The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Stone's contributions to the board, determined that his experience in energy banking and finance provide significant contributions to the Company's board of directors.

Christopher A. Viggiano has served as a director since July 12, 2006, effective upon the merger of KCS into the Company. Mr. Viggiano serves on the Company's Audit Committee and the Compensation Committee. Mr. Viggiano had served as a director of KCS since 1988, serving on the Compensation Committee and as the Audit Committee Chairman from 1988 until the merger with Petrohawk in 2006. He has been President, Chairman of the Board and majority owner of O'Bryan Glass Corp. in Queens, New York since December 1991. Mr. Viggiano is a Certified Public Accountant and worked in public accounting as an auditor for Arthur Anderson & Co. from 1975 to 1984, where his audits included energy, pipeline and gas utility companies among many other industries. He also worked within Arthur Anderson's merger and acquisition group from 1982 to 1984.

The Nominating and Corporate Governance Committee, in reviewing and assessing Mr. Viggiano's contributions to the board, determined that his experience as an executive officer, a director of an exploration and production company and his past audit and acquisition experience provide significant contributions to the Company's board of directors.

Committees of the Board

Our board has four standing committees: audit, compensation, nominating and corporate governance, and reserves. Actions taken by our committees are reported to the full board. Each committee conducts an annual evaluation of its duties and is expected to conduct an annual review of its charter. Each committee has authority to retain, set the compensation for, and terminate consultants, outside counsel and other advisers as that committee determines to be appropriate.

Audit Committee. The members of our audit committee are: James L. Irish III, James W. Christmas, Stephen P. Smiley, and Christopher A. Viggiano, with Mr. Irish serving as the chairman. The audit committee met on four occasions during 2010. Our board has determined that all members of our audit committee are financially literate within the meaning of SEC rules, under the current listing standards of the New York Stock Exchange, or NYSE, and in accordance with our audit committee charter. Our board has also determined that all members of the audit committee are independent, within the meaning of SEC and NYSE regulations for independence for audit committee members, under our corporate governance guidelines, and in accordance with our audit committee charter, and that each of Mr. Christmas, Mr. Smiley and Mr. Viggiano qualifies as an "audit committee financial expert" under the NYSE rules, Item 407(d)(5) of Regulation S-K and in accordance with our audit committee charter. Our board of directors adopted an amended audit committee charter on December 8, 2008. See "Corporate Governance Matters—Director Independence" for more information on how we determine the independence of our directors.

The primary functions of our audit committee are to monitor internal accounting controls and financial reporting practices, review financial statements and related information, select and retain our independent registered public accountants, review and evaluate the performance, services, and fees of the independent registered public accountants, pre-approve all audit and permitted non-audit services to be provided by the independent registered public accountants, monitor the independence of the independent registered public accountants, and produce a report for inclusion in our proxy statement. Our independent registered public accountants report directly to the audit committee. Additionally, the audit committee discusses with management our earnings releases, including the use of pro-forma financial information, and the information and earnings guidance provided to analysts and rating agencies. The audit committee also reviews and discusses quarterly reports from our independent registered public accountants regarding critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles, and other material written

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communication between our independent registered public accountants and management. See below in this proxy statement for a copy of our audit committee's report for the 2010 fiscal year.

Compensation Committee. The members of our compensation committee are Gary A. Merriman, Robert C. Stone, Jr., and Christopher A. Viggiano, with Mr. Merriman serving as the chairman. This committee met six times during 2010. Our board of directors has determined that each of the current members of the compensation committee is a "non-employee director" in accordance with Rule 16b-3 of the 1934 Act and an "outside director" in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), as required in our compensation committee charter. Our board of directors has also determined that all members of the compensation committee who currently serve are "independent" pursuant to the NYSE rules and in accordance with our compensation committee charter. Our compensation committee is responsible for formulating and recommending to our board of directors the compensation to be paid to our executive officers and directors, and producing an annual report for inclusion in our proxy statement. The compensation committee also administers our stock option plans, including our 1999 Incentive and Nonstatutory Stock Option Plan, the 2004 Non-Employee Director Incentive Plan, the 2004 Employee Incentive Plan, the Mission Resources Corporation 2004 Incentive Plan, the Mission Resources Corporation 1996 Stock Incentive Plan, the Mission Resources Corporation 1994 Stock Incentive Plan, the KCS Energy, Inc. 2001 Employees and Directors Stock Plan, and the KCS Energy, Inc. 2005 Employees and Directors Stock Plan. Our board of directors adopted an amended compensation committee charter on November 3, 2008. See "Executive Compensation—Compensation Discussion and Analysis—Overview of the Compensation Committee" for additional information on our compensation committee.

Compensation Committee—Interlocks and Insider Participation. See the "Compensation Committee Interlocks and Insider Participation" section of this proxy statement.

Compensation Discussion and Analysis. See the "Executive Compensation—Compensation Discussion and Analysis" section of this proxy statement.

Nominating and Corporate Governance Committee. The members of our nominating and corporate governance committee are James W. Christmas, Thomas R. Fuller, Gary A. Merriman, and Stephen P. Smiley with Mr. Fuller serving as the chairman. The nominating and corporate governance committee met six times during 2010. Our board of directors has determined that all members of the nominating and corporate governance committee who currently serve are independent pursuant to the NYSE rules and in accordance with our nominating and corporate governance committee charter. The primary functions of the nominating and corporate governance committee are to recommend candidates to the board of directors as nominees for election at the annual meeting of stockholders or to fill vacancies as they may occur, and to perform an annual performance evaluation of the board of directors. This committee also reviews candidates suggested for nomination by the stockholders. Our board of directors adopted an amended nominating and corporate governance committee charter on October 28, 2010. With respect to procedures for stockholders to suggest candidates for consideration by the committee for the 2012 annual meeting of stockholders, see "Corporate Governance Matters—Nomination Process", "Corporate Governance Matters—Stockholder Nomination Process" and "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders".

Reserves Committee. The members of our reserves committee are Robert C. Stone, Jr., Robert G. Raynolds, and Thomas R. Fuller, with Mr. Stone serving as the chairman. The reserves committee met on five occasions during 2010. Our board has determined that all members of our reserves committee are independent in accordance with our reserves committee charter. Our reserves committee has been formed to assist our board with oversight in the preparation by independent petroleum engineers of annual and any special reserve reports and/or audits of the estimated amounts of our consolidated hydrocarbon reserves and related information. The reserves committee retains the independent petroleum engineers who evaluate our hydrocarbon reserves and determines their

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independence from Petrohawk. Our board of directors adopted an amended reserves committee charter on February 27, 2007.

Membership and Meetings of the Board of Directors and its Committees. During 2010, fifteen meetings of our board of directors were held. Each director who served on our board during 2010 attended at least 75% of the total meetings of the board (during the period in which he was a director) and each committee on which he served (during the period that he served on that committee). Our directors also took action by unanimous written consent on three occasions. Information relating to current committee membership and the number of meetings of the full board and committees held in 2010 is summarized in the following table:

<u>Name of Director</u>	<u>Board of Directors</u>	<u>Audit Committee</u>	<u>Nominating and Corporate Governance Committee</u>	<u>Compensation Committee</u>	<u>Reserves Committee</u>
Floyd C. Wilson	Chairman				
James W. Christmas	Vice Chairman	Member	Member		
Thomas R. Fuller	Member		Chairman		Member
James L. Irish III	Member	Chairman			
Gary A. Merriman	Member		Member	Chairman	
Robert G. Raynolds	Member				Member
Stephen P. Smiley	Member	Member	Member		
Robert C. Stone, Jr.	Member			Member	Chairman
Christopher A. Viggiano	Member	Member		Member	
Number of Meetings in 2010:	15	4	6	6	5

Corporate Governance Matters

Corporate Governance Web Page and Available Documents. We maintain a corporate governance page on our website at www.petrohawk.com where you can find the following documents:

- our corporate governance guidelines;
- our code of ethics for our Chief Executive Officer and senior financial officers;
- our code of conduct; and
- the charters of the audit, reserves, nominating and corporate governance, and compensation committees.

We will also provide a printed copy of these documents, without charge, to stockholders who request copies in writing from Joan Dunlap, Vice President—Investor Relations, Petrohawk Energy Corporation, 1000 Louisiana, Suite 5600, Houston, Texas 77002.

Director Independence. On March 13, 2007, our common stock began trading on the NYSE under the symbol "HK" and we became subject to the rules of NYSE applicable to NYSE listed companies, including the NYSE corporate governance rules. Prior to March 13, 2007, we were subject to the rules of NASDAQ applicable to NASDAQ listed companies, including the NASDAQ corporate governance rules.

The current listing standards of the NYSE require our board to affirmatively determine the independence of each

director and to disclose such determination in the proxy statement for each annual meeting of our stockholders. The board, at its meeting held on February 17, 2011, affirmatively determined that each of Messrs. Christmas, Fuller, Irish, Merriman, Raynolds, Smiley, Stone and Viggiano is an "independent director" with respect to Petrohawk under the independence standards of our corporate governance guidelines, adopted as of October 28, 2010 and described below, and under the corporate governance rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual.

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Our board has established the following standards for determining director independence in our corporate governance guidelines:

A majority of the directors on our board must be "independent". No director qualifies as "independent" unless the board affirmatively determines that the director has no "material relationship" with Petrohawk, either directly, or as a partner, shareholder or officer of an organization that has a relationship with Petrohawk. A "material relationship" is a relationship that the board determines, after a consideration of all relevant facts and circumstances, compromises the director's independence from management. Our board's determination of independence must be consistent with all applicable requirements of the NYSE, the SEC, and any other applicable legal requirements. Our board may adopt specific standards or guidelines for independence in its discretion from time to time, consistent with those requirements. As set forth in the NYSE Listed Company Manual Section 303A.02, our board must consider the following factors that preclude a finding by the board of a member's or prospective member's "independence" from Petrohawk:

1. A director who is, or who has been within the last three years, an employee of Petrohawk (including in each case subsidiaries or parent entities in a consolidated group), or an immediate family member who is, or has been within the last three years, an executive officer, of Petrohawk;
2. A director who has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Petrohawk, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, that, compensation received by a director for former service as an interim Chairman or CEO or other executive officer need not be considered in determining independence under this test, and compensation received by an immediate family member for service as an employee of Petrohawk need not be considered in determining independence under this test;
3. (A) A director is a current partner or employee of a firm that is Petrohawk's internal or external auditor; (B) a director who has an immediate family member who is a current partner of such a firm; (C) a director who has an immediate family member who is a current employee of such a firm and who participates in Petrohawk's audit; or (D) a director or an immediate family member who was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Petrohawk's audit within that time;
4. A director or an immediate family member who is, or who has been within the last three years, employed as an executive officer of another company where any of Petrohawk's present executive officers at the same time serves or served on that company's compensation committee; and
5. A director who is a current employee, or an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, Petrohawk for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

For purposes of determining "independence" of a director based on the tests set forth above, among other things, the following applies:

- A. In applying the test in paragraph 5 above, both the payments and the consolidated gross revenues to be measured are those reported in the last completed fiscal year. The look-back provision for this test applies solely to the financial relationship between Petrohawk and the director or immediate family member's current employer; Petrohawk is not required to consider former employment of the director or the immediate family member.

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- B. For purposes of paragraph 5 above, contributions to tax exempt organizations are not considered "payments," although Petrohawk still considers the "materiality" of any such relationship in determining the "independence" of a director.
- C. For purposes of determining "independence," an "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares such person's home, and does not include individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

Our corporate governance guidelines set forth our policy with respect to qualifications of the members of the board, the standards of director independence, director responsibilities, board meetings, director access to management and independent advisors, director orientation and continuing education, director compensation, chairman and CEO dual responsibilities, management evaluation and succession, annual performance evaluation of the board, and executive sessions.

As discussed above, our board determined that Mr. Irish is an "independent director" under our corporate governance guidelines and under NYSE rules. In determining that Mr. Irish is an "independent director," our board considered that Mr. Irish is Of Counsel to Thompson & Knight LLP, which we have engaged for the purpose of obtaining legal advice. In concluding that this relationship did not result in a material relationship between Petrohawk and Mr. Irish, our board considered, among other things, that Mr. Irish does not actively engage in the practice of law with Thompson & Knight LLP or participate in the management or profits of that firm. Mr. Irish received no compensation for the services rendered by Thompson & Knight LLP to Petrohawk; and he did not perform legal services on behalf of Thompson & Knight LLP for Petrohawk.

Nomination Process. Our nominating and corporate governance committee reviews possible candidates for nomination to the board of directors and recommends candidates for nomination to the board for approval. The committee and the board have adopted guidelines that describe specific traits, abilities, and experience which the committee and the board consider in selecting candidates for nomination as directors. Although we do not have a formal diversity policy, among the standards and qualifications the committee and the board seek are individuals of high ethical character who share our values and who possess diverse backgrounds and experiences. The board is expected to have some members with specialized skills in the oil and gas exploration and development industry, including individuals with strong technical backgrounds. Absent special circumstances, we are generally of the view that the continuing service of qualified incumbents promotes stability and continuity in the board room, giving us the benefit of the familiarity and insight into our affairs that directors have accumulated during their tenure, while contributing to our board's ability to work as a collective body. Accordingly, it is the general policy of the committee to nominate qualified incumbent directors who continue to satisfy the committee's membership criteria, who the committee believes will continue to make important contributions to the board and who consent to stand for reelection and continue their service on the board. The nominating and corporate governance committee is responsible for assessing the appropriate mix of skills and characteristics required of directors in the context of perceived needs of the board at any given point in time and reviews and updates the criteria for nomination as they determine to be necessary.

Board Diversity. Our board of directors does not have a formal written policy with regard to the consideration of diversity in identifying director nominees. Our nominating and corporate governance committee charter, however, requires the committee to review the composition of the board as a whole and recommend, if necessary, measures to be taken so that our board not only contains the required number of independent directors, but also reflects the balance of knowledge, experience, skills, expertise, integrity, analytical ability and diversity as a whole that the committee deems appropriate.

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This review includes an assessment as to our board's current and anticipated need for directors with specific qualities, skills, experience or backgrounds; the availability of highly qualified candidates; committee workloads and membership needs; and anticipated director retirements.

Stockholder Nomination Process. Our nominating and corporate governance committee considers suggestions from many sources, including management, directors, and stockholders regarding possible candidates for nomination to the board of directors. Any such stockholder recommendation must be submitted by one or more stockholders that have individually or as a group owned beneficially at least one percent of our issued and outstanding common stock for at least one year, determined as of the date the recommendation is submitted. Any such recommendation should be submitted to the nominating and corporate governance committee in writing, c/o David S. Elkouri, Executive Vice President—General Counsel and Secretary, at 1000 Louisiana, Suite 5600, Houston, Texas, 77002. The information should include: (i) the name and address of the stockholder suggesting the individual as they appear on our books, (ii) the number and class of shares owned beneficially and of record by the stockholder (including the date(s) of acquisition thereof, (iii) the suggested individual's name, age, business address, residence and telephone number, (iv) a description of all arrangements or understandings (if any) between the stockholder and the individual being suggested for the committee's consideration, and (v) the information about the individual being suggested that would be required to be included in a proxy statement filed with the SEC. The recommendation must be accompanied by signed statements from the recommending stockholder and the proposed candidate to the effect that: (i) the candidate consents to being a director candidate and, if nominated and elected, he/she will serve as a director representing all of the Company's stockholders in accordance with applicable laws and the Company's Certificate of Incorporation and Bylaws; (ii) the candidate, if elected, will comply with the Company's Corporate Governance Guidelines, Code of Conduct and other applicable rules, regulations, policies or standards of conduct applicable to the Board of Directors or its individual members; (iii) the recommending stockholder and the candidate will promptly provide any additional information requested by the nominating and corporate governance committee and/or board to assist in the consideration of the candidate; including, without limitation, a completed and signed questionnaire for directors and officers in the Company's standard form and an interview with the committee or its representative; and (iv) the recommending stockholder will maintain beneficial ownership of at least one percent of the Company's issued and outstanding common stock through the date of the annual meeting for which the candidate is being recommended for nomination. The recommendation and the director candidate's signed statement must be provided to us for an annual meeting of stockholders in accordance with the provisions of "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders" below and, if inclusion of the nominee in our proxy statement is requested, must otherwise comply with all the provisions set forth in Rule 14a-8 under the 1934 Act, and any other requirements of state law. We may also require any proposed nominee to furnish such other information as we or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. For the deadline for stockholder suggestions of individuals to be considered by the committee for nomination as a candidate to be elected at the 2012 annual meeting of stockholders, see "Submission of Stockholder Proposals for Our 2012 Annual Meeting of Stockholders". Candidates who have been suggested by stockholders are evaluated by the nominating and corporate governance committee in the same manner as are other candidates. Our nominating and corporate governance committee has not retained a third-party search firm to identify candidates, but may do so in the future in its discretion.

The nominating and corporate governance committee did not receive any stockholder recommendations for nomination to our board of directors in connection with this year's annual meeting. The nominating and corporate governance committee has recommended Messrs. Wilson, Merriman and Stone who are current Class I directors, for reelection as the term of their class is expiring on our classified board of directors.

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Leadership Structure. Our board currently combines the role of chairman of the board with the role of Chief Executive Officer ("CEO"), and maintains a separate empowered lead independent director position to further strengthen our governance structure. Our board believes this provides an efficient and effective leadership model for the Company. Combining the chairman and CEO roles fosters clear accountability, effective decision-making and alignment on corporate strategy while reducing the potential for fractured leadership that can undermine successful implementation of policy.

Our board believes that the Company is strengthened by the chairmanship of Mr. Wilson, who provides strategic, operational and technical expertise, vision and a proven ability to lead the Company to the successes it has experienced. Under Mr. Wilson's leadership, the Company has continued to reflect solid growth. Our board believes that, under the present circumstances, the interests of the Company and its stockholders are best served by the leadership and direction of Mr. Wilson as chairman and CEO. Our board recognizes that no single leadership model is right for all companies and at all times and that, depending on the circumstances, other leadership models, such as a separate independent chairman of the board, might be appropriate.

Our Lead Director (lead independent director), currently Mr. James L. Irish III, is elected annually by our board. Our Lead Director serves as a key component of our governance structure, subject to oversight by the independent members of our board. The Lead Director's responsibilities and authority generally include:

- presiding over all executive sessions of the independent or non-management directors and all other board meetings at which the Chairman is not present;
- calling special meetings of the non-employee directors when necessary and appropriate;
- coordinating the agenda for, and moderating, sessions of the board's independent directors and other non-management directors;
- serving as a liaison between the Chairman and the independent or non-management directors;
- consulting with the Chairman to include and provide at meetings of the directors specific agenda items and additional materials suggested by independent board members;
- approving the scheduling of regular and, where feasible, special meetings of the board to ensure that there is sufficient time for discussion of all agenda items;
- facilitating communications among the other members of the board;
- consulting with the chairs of the board committees and soliciting their participation to avoid diluting their authority or responsibilities; and
- performing other duties as the board may from time to time delegate.

Our corporate governance guidelines currently provide that non-management directors must meet at regularly scheduled executive sessions without management. Our board has determined that all of our current "non-management" directors are independent directors under the NYSE rules. Our Lead Director, who is currently Mr. Irish and who is an independent and non-management director, presides over the executive sessions of our non-management directors. During 2010, our non-management directors held four executive sessions without management present, and Mr. Irish presided over each executive session.

Risk Oversight. It is the job of our Chief Executive Officer, Chief Financial Officer, General Counsel, and other members of our senior management to identify, assess, and manage our exposure to risk. Our board plays an important role in overseeing management's performance of these functions. Our board of directors has approved the charter of its audit committee, which lists the primary responsibilities of the audit committee. Those responsibilities require the audit committee to discuss

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with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including the substance of any significant litigation, contingencies or claims that had, or may have, a significant impact on the financial statements. The audit committee is also required to discuss with management and review the mechanisms, guidelines and policies that govern the processes by which risk assessment and management are undertaken.

Each of the board's other committees also oversees the management of risks that fall within such committee's area of responsibility. Our compensation committee incorporates risk considerations, including the risk of loss of key personnel, as it evaluates the performance of our Chief Executive Officer and other executive officers, reviews management development and succession plans, and determines compensation structure and amounts. Our nominating and corporate governance committee focuses on issues and risks relating to board composition, leadership structures and corporate governance matters. The focus of our reserves committee is on the integrity of the process of selecting our independent petroleum engineers and whether reports prepared by our independent petroleum engineers are prepared in accordance with the accepted or required petroleum engineering standards.

Our board receives reports from its committees regarding the risks considered in their respective areas to ensure that our board has a broad view of our strategy and overall risk management process. In performing its risk oversight function, each committee has full access to management, as well as the ability to engage advisors. Each committee's charter is posted on our web site at www.petrohawk.com.

Communications with the Board. Our stockholders may communicate concerns to any director, board committee or to the full board of directors by sending letters addressed to such directors, board committees or the full board of Petrohawk Energy Corporation at 1000 Louisiana, Suite 5600, Houston, Texas 77002, Attention: David S. Elkouri, General Counsel. The Chief Ethics Officer will then, as appropriate, forward the communication to the intended director or directors, board committee or the full board of directors. If the stockholder wishes the communication to be confidential, then the communication should be provided in a form that will maintain confidentiality such as stamping the envelope and the contents as "confidential".

Communications with the Non-Management Directors. Interested parties may communicate concerns to the non-management members of our board of directors by sending a communication to the Lead Director and chairman of the audit committee, James L. Irish III, 1722 Routh Street, Suite 1500, Dallas, Texas 75201. Mr. Irish will then forward such communication to all of our other non-management directors.

Directors' Attendance at Stockholder Meetings. Our corporate governance guidelines provide that our directors are encouraged to attend annual meetings of our stockholders. Two members of our board attended last year's annual meeting of stockholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Company occasionally charts private aircraft from unaffiliated air charter companies. Floyd C. Wilson, the Company's Chief Executive Officer, indirectly owns an aircraft that is managed by an air charter company that is unaffiliated with both Mr. Wilson and the Company. The Company occasionally charts aircraft from this company. The aircraft in the air charter company's fleet, including the aircraft owned by Mr. Wilson, are available to the public for charter based upon a standard fee schedule established by the air charter company, with the fees dependent primarily upon the type and size of the aircraft utilized and the duration of the flight. During 2010, the Company paid a total of approximately \$1.35 million to the air charter company that manages Mr. Wilson's aircraft, of which approximately \$750,000 was related to the use of Mr. Wilson's aircraft. Mr. Wilson's indirect interest in the transactions in which the Company charts his aircraft from the air charter company, as opposed to some other aircraft, is difficult to determine, as the air

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charter company deducts from revenues received from charter customers, such as the Company, a variety of expenses incidental to use of the aircraft (such as personnel, fuel and commissions) and recurring charges (such as for inspections, maintenance, storage and service), and during 2010 the total amount of these expenses significantly exceeded the amount paid by the Company and others to charter Mr. Wilson's aircraft. In addition, because the air charter company establishes fees for the use of the aircraft in its fleet, Mr. Wilson does not receive any greater benefit from the Company's charter of his aircraft than he does from any third party chartering his aircraft.

The use of charter aircraft by Company personnel is governed by the Company's Aircraft Policy. Our policies do not require that a special committee of the Company's independent directors approve the use of aircraft chartered through an unaffiliated air charter company that independently establishes the amount charged under arrangements that otherwise comply with our Aircraft Policy.

RELATED PARTY TRANSACTION REVIEW POLICIES AND PROCEDURES

A transaction or series of similar transactions to which we are a party in which the amount involved exceeds \$120,000 and involves a director, executive officer, 5% stockholder or any immediate family members of these persons is generally evaluated by a special committee of disinterested directors formed by our board of directors to evaluate such transactions. In addition, our code of conduct provides that every employee should disclose any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest to our General Counsel, David S. Elkouri, and every member of our board should disclose any material transaction or relationship that could be expected to give rise to a conflict of interest to the chairman of the audit committee. The audit committee has the authority to evaluate any such conflicts of interest and recommend actions to be taken by our board in connection with such conflicts of interest or to report the existence of any such conflicts of interest to the full board for it to take action.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act requires our directors, certain officers and holders of 10% or more of any class of our stock to report to the SEC, by a specified date, initial reports of ownership and reports of changes in ownership of our stock and other equity securities. To our knowledge based solely on a review of copies of reports filed under Section 16(a) during the 2010 fiscal year and furnished to us, our directors, executive officers and holders of 10% or more of our shares complied with these requirements with the exception of Joan Dunlap, our Vice President—Investor Relations, who filed a Form 4 on July 2, 2010 relating to the payment of tax liability for the vesting of restricted stock on August 11, 2007.

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MANAGEMENT

The following table sets forth the names and ages of all of our executive officers, the positions and offices with us held by such persons and the months and years in which continuous service as officers began:

<u>Name</u>	<u>Corporate Officer Since</u>	<u>Age</u>	<u>Position</u>
Floyd C. Wilson	May 2004	64	Chairman of the Board and Chief Executive Officer
Richard K. Stoneburner	May 2004	57	President and Chief Operating Officer
Mark J. Mize	July 2005	39	Executive Vice President— Chief Financial Officer and Treasurer
David S. Elkouri	August 2007	57	Executive Vice President— General Counsel and Secretary
Larry L. Helm	July 2004	63	Executive Vice President— Finance and Administration
Stephen W. Herod	May 2004	52	Executive Vice President— Corporate Development and Assistant Secretary
H. Weldon Holcombe	March 2007	58	Executive Vice President— Mid-Continent Region
Ellen R. DeSanctis	September 2010	54	Senior Vice President— Corporate Communications
Charles W. Latch	November 2007	66	Senior Vice President— Western Region
Tina S. Obut	March 2007	46	Senior Vice President— Corporate Reserves
C. Byron Charboneau	March 2008	34	Vice President—Chief Accounting Officer and Controller
Charles E. Cusack III	May 2008	52	Vice President—Exploration
Joan W. Dunlap	July 2007	37	Vice President—Investor Relations

Our executive officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been elected and qualified. The following paragraphs contain certain information about each of our executive officers other than Mr. Wilson, whose biographical information is included under the heading "Our Board of Directors and its Committees—The Board of Directors" above.

Richard K. Stoneburner has served as President and Chief Operating Officer since September 8, 2009. Mr. Stoneburner previously has served as Executive Vice President—Chief Operating Officer from September 13, 2007 until September 8, 2009 and as Executive Vice President—Exploration from August 1, 2005, until September 13, 2007. Mr. Stoneburner served as Vice President—Exploration from May 25, 2004 until August 1, 2005. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He joined 3TEC in August 1999 and was its Vice President—Exploration from December 1999 until its merger with Plains Exploration & Production Company in June 2003. Mr. Stoneburner was employed by W/ E Energy Company as District Geologist from 1998 to 1999. Prior to joining W/E Energy, Mr. Stoneburner worked as a geologist for Texas Oil & Gas, The Reach Group, Weber Energy Corporation, Hugoton Energy Corporation and, independently through his own company, Stoneburner Exploration, Inc. Mr. Stoneburner has over 31 years of experience in the energy business.

Mark J. Mize has served as Executive Vice President—Chief Financial Officer and Treasurer since August 10, 2007. He served as Vice President, Chief Accounting Officer and Controller from July 2005 until August 10, 2007. Mr. Mize joined us on November 29, 2004 as Controller. Prior to joining us, he was the Manager of Financial Reporting of Cabot Oil & Gas Corporation, a public oil and gas

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exploration company, from January 2003 to November 2004. Prior to his employment at Cabot Oil & Gas Corporation, he was an Audit Manager with PricewaterhouseCoopers LLP from 1996 to 2002. Mr. Mize is a Certified Public Accountant.

David S. Elkouri has served as Executive Vice President—General Counsel and Secretary of Petrohawk since August 1, 2007. Mr. Elkouri also serves as our Chief Ethics Officer and our Insider Trading Compliance Officer. Mr. Elkouri served as lead outside counsel for Petrohawk from 2004 through July 2007 and has been actively involved with the Company's growth since that time. Prior to that time he served as lead outside counsel for 3TEC Energy Corporation from its inception in 1999 until it was acquired in 2003 and for Hugoton Energy Corporation from its inception in 1994 until it was acquired in 1998. Mr. Elkouri is a co-founder of Hinkle Law Firm L.L.C. where he practiced for 20 years prior to joining Petrohawk. Mr. Elkouri's practice has focused on tax, corporate, mergers and acquisitions and securities law with an emphasis on the oil and gas industry. Mr. Elkouri is a graduate of the University of Kansas School of Law where he served as a Research Editor of the Kansas Law Review.

Larry L. Helm has served as Executive Vice President—Finance and Administration since August 1, 2007. Mr. Helm served as Vice President—Chief Administrative Officer from July 15, 2004 until August 1, 2005, and as Executive Vice President—Chief Administrative Officer from August 1, 2005 until August 2007. Prior to serving as an executive officer, Mr. Helm served on our board of directors for approximately two months. Mr. Helm was employed with Bank One Corporation from December 1989 through December 2003. Most recently Mr. Helm served as Executive Vice President of Middle Market Banking from October 2001 to December 2003. From April 1998 to August 1999, he served as Executive Vice President of the Energy and Utilities Banking Group. Prior to joining Bank One, he worked for 16 years in the banking industry primarily serving the oil and gas sector. He served as director of 3TEC Energy Corporation from 2000 to June 2003.

Stephen W. Herod has served as Executive Vice President—Corporate Development and Assistant Secretary since August 1, 2005. Mr. Herod served as Vice President—Corporate Development from May 25, 2004 until August 1, 2005. Prior to joining us, he was employed by PHAWK, LLC from its formation in June 2003 until May 2004. He served as Executive Vice President—Corporate Development for 3TEC Energy Corporation from December 1999 until its merger with Plains Exploration & Production Company in June 2003 and as Assistant Secretary from May 2001 until June 2003. Mr. Herod served as a director of 3TEC from July 1997 until January 2002. Mr. Herod served as the Treasurer of 3TEC from 1999 until 2001. From July 1997 to December 1999, Mr. Herod was Vice President—Corporate Development of 3TEC. Mr. Herod served as President and a director of Shore Oil Company from April 1992 until the merger of Shore with 3TEC's predecessor in June 1997. He joined Shore's predecessor as Controller in February 1991. Mr. Herod was employed by Conquest Exploration Company from 1984 until 1991 in various financial management positions, including Operations Accounting Manager. From 1981 to 1984, Superior Oil Company employed Mr. Herod as a financial analyst.

H. Weldon Holcombe joined Petrohawk on July 12, 2006, effective upon the merger of KCS Energy, Inc. with and into the Company and has served as Executive Vice President—Mid-Continent Region since March 1, 2007. After the merger of KCS and Petrohawk, Mr. Holcombe became responsible for all of the merged company's operations in the Mid-Continent Region including our interests in the Elm Grove and Terryville fields among others throughout the Mid-Continent Region. More recently, he assumed responsibility for Petrohawk's shale operations, notably in the Haynesville and Lower Bossier plays. Prior to the merger of KCS and Petrohawk, Mr. Holcombe served as Senior Vice President of KCS responsible for operations and engineering. Prior to joining KCS in 1996, he spent many years with Exxon in project and management positions associated with sour gas treatment, drilling, completions and reservoir management. Mr. Holcombe holds a degree in engineering from Auburn University.

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Ellen R. DeSanctis has served as the Company's Senior Vice President—Corporate Communications since September 2010. Prior to joining Petrohawk, Ellen was employed as Executive Vice President, Strategy and Development for Rosetta Resources since 2008. From 2006 to 2008, Ms. DeSanctis ran E. R. DeSanctis Consulting Services, which specialized in strategy development, and investor relations for exploration and production companies. From 2000 to 2006, she served as Vice President—Corporate Communications and Strategic Planning for Burlington Resources. She spent several years with Vastar Resources in various capacities and spent eight years in the Atlantic Richfield organization. She began her career at Shell Oil Company as a production engineer in 1978. She holds a bachelor's degree in geological & geophysical sciences from Princeton University and an M.B.A. from the University of California, Los Angeles.

Charles W. Latch has served as Senior Vice President—Western Region since November 2007. From July 2006 through October 2007, Mr. Latch served as our Vice President of Operations. From 2004 until joining Petrohawk in July 2006, Mr. Latch was employed by KCS Resources, serving as Vice President of Operations since November 2004. Mr. Latch was Senior Vice President of Technical Services with El Paso Production Company from November 2002 until joining KCS Resources.

Tina S. Obut has served as Senior Vice President—Corporate Reserves since May 15, 2008. Ms. Obut served as Vice President—Corporate Reserves from March 2007 to May 15, 2008. Ms. Obut initially joined the Company in April 2006 as Manager of Corporate Reserves. Prior to joining us, Ms. Obut was employed by El Paso Production Company as Manager of Reservoir Engineering Evaluations from July 2004 until April 2006. From 2001 to 2004, Ms. Obut was Planning and Asset Manager at Mission Resources. From 1992 to 2001, Ms. Obut was a Vice President with Ryder Scott Company, and from 1989 to 1992, she worked as a reservoir engineer with Chevron. Ms. Obut is a Registered Petroleum Engineer.

C. Byron Charboneau has served as Vice President—Chief Accounting Officer and Controller since March 2008. From August 2007 through February 2008, Mr. Charboneau served as the Financial Controller and from January 2005 through July 2007, Mr. Charboneau served as our Director of Compliance and Accounting Research. From 1999 until joining Petrohawk in January 2005, Mr. Charboneau was employed in the audit practice of PricewaterhouseCoopers, most recently as an audit manager with the Energy, Utilities and Mining Industry group. Mr. Charboneau is a Certified Public Accountant.

Charles E. Cusack III has served as Vice President—Exploration since May 2008. Mr. Cusack currently serves as the Haynesville Shale Project Manager and has most recently served as Petrohawk's Exploration Manager for the Gulf Coast Division prior to its sale in 2007. Mr. Cusack was instrumental in the growth of the region from our initial investment in 2004, to its sale in 2007. Mr. Cusack has over 25 years of exploration and exploitation experience having worked in various positions for 3TEC Energy, Cockrell Oil, Amerada Hess, Tenneco Oil, and Gulf Oil. He holds an engineering degree from Texas A&M University.

Joan W. Dunlap has served as Vice President—Investor Relations since July 2007. From August 2004 until 2006, Ms. Dunlap served as our Assistant Treasurer. Prior to joining Petrohawk, she was employed as an investment banking associate with JPMorgan Chase, accredited with Series 7 and Series 63 licenses, and as a financial analyst and research assistant for the Federal Reserve Bank. Ms. Dunlap holds a bachelor's degree in economics from Tulane University and an M.B.A. from Rice University.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth beneficial ownership of our common stock by each director, including each nominee for reelection at the annual meeting, each executive officer named in the Summary Compensation Table for 2010 set forth under "Executive Compensation—2010 Compensation Program—Summary Compensation Table," and all directors and executive officers of the Company as a group, based upon information known to us as of March 31, 2011. The "Percent of Class" columns below represent for each person or group the percentage of outstanding shares of our common stock plus shares issuable upon exercise of all options, stock-settled stock appreciation rights that are currently exercisable or that may become exercisable within 60 days of March 31, 2011 by such person or group, assuming the stock options, stock-settled stock appreciation rights owned by all other stockholders are not exercised. As of March 31, 2011, there were 303,748,482 shares of our common stock outstanding, and an additional 5,764,812 option shares and stock-settled appreciation rights were exercisable within the 60 days. Unless otherwise indicated, the named person below has the sole voting and dispositive powers with respect to the shares of our common stock set forth opposite such person's name. The total number also includes, where applicable, shares of common stock granted to each non-employee director under our 2004 Non-Employee Director Incentive Plan and the 2005 KCS Plan and restricted shares of common stock granted to each officer under the 2004 Employee Incentive Plan. Information is provided for reporting purposes only and should not be construed as an admission of actual beneficial ownership.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<i>Directors</i>		
Floyd C. Wilson	4,076,250 ⁽¹⁾	1.34%
James W. Christmas	2,613,251 ⁽²⁾	*
Thomas R. Fuller	55,982	*
James L. Irish III	149,244 ⁽³⁾	*
Gary A. Merriman	91,020 ⁽⁴⁾	*
Robert G. Raynolds	1,000,507 ⁽⁵⁾	*
Stephen P. Smiley	17,500 ⁽⁶⁾	*
Robert C. Stone, Jr.	147,300 ⁽⁷⁾	*
Christopher A. Viggiano	128,210 ⁽⁸⁾	*

* The percentage of shares beneficially owned by this director does not exceed one percent of the shares of our common stock outstanding.

(1) Includes options to purchase 656,999 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 150,000 stock appreciation rights. Includes 190,001 shares of unvested restricted common stock of Petrohawk over which Mr. Wilson has sole power to vote but disposition rights are currently restricted. Includes 200,000 shares of Petrohawk common stock held by his grantor retained annuity trust over which Mr. Wilson has sole voting and sole dispositive power. Includes 24,700 shares held in trust for Mr. Wilson's children and grandchildren, over which he has no voting or dispositive power and as to which Mr. Wilson disclaims any beneficial ownership.

(2) Mr. Christmas has sole voting and dispositive power over 2,061,841 shares of Petrohawk common stock, including 60,000 shares of Petrohawk common stock held by his grantor retained annuity trust. Includes 59,400 shares held in trust for Mr. Christmas' children, over which he has no voting or dispositive power and as to which Mr. Christmas disclaims any beneficial ownership. Includes options to purchase 492,010 shares of Petrohawk

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common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011.

- (3) Mr. Irish has sole voting and dispositive power over 107,744 shares of Petrohawk common stock. Mr. Irish has shared voting and dispositive power over 41,500 shares of Petrohawk common stock, which includes 13,000 shares owned by The James L. Irish III Trust, of which Mr. Irish is a trustee and beneficiary, and the following number of shares owned by family trusts of which Mr. Irish is a co-trustee, but not a beneficiary, and for which Mr. Irish shares voting and dispositive powers with co-trustees: (a) The Jonathan Michael Irish Trust (3,500 shares), (b) The Kathleen Ann Irish Trust (12,500 shares), and (c) the Nancy Lynn Irish Trust (12,500 shares).
- (4) Includes options to purchase 21,335 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 7,500 shares held in an IRA over which Mr. Merriman has sole voting and sole dispositive power.
- (5) Includes the following: (a) 17,617 shares held in trust established for the benefit of Mr. Raynolds' children as to which Mr. Raynolds disclaims any beneficial ownership; (b) 797,352 shares held by a family trust for which Mr. Raynolds is a co-trustee and holds a remainder interest in such trust and has shared voting and dispositive power; and (c) 3,478 shares held by a SEP IRA over which Mr. Raynolds has sole voting and sole dispositive power. Also includes options to purchase 30,815 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011.
- (6) Includes 13,000 shares owned by the Smiley Family Trust over which Mr. Smiley shares voting and dispositive powers with his wife as co-trustees.
- (7) Includes options to purchase 75,000 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 2,500 shares held in an IRA over which Mr. Stone has sole voting and sole dispositive power.
- (8) Includes options to purchase 30,815 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 5,100 shares held by his immediate family for which Mr. Viggiano has no voting or dispositive power.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
<i>Named Executive Officers (other than Mr. Wilson)</i>		
Mark J. Mize	149,327 ⁽⁹⁾	*
Richard K. Stoneburner	766,134 ⁽¹⁰⁾	*
Larry L. Helm	779,265 ⁽¹¹⁾	*
Stephen W. Herod	850,082 ⁽¹²⁾	*
All Executive Officers and Directors as a group (21 persons)	12,807,937 ⁽¹³⁾	4.22%

* The percentage of shares beneficially owned by this executive officer does not exceed one percent of the shares of our common stock outstanding.

- (9) Includes options to purchase 22,400 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31,

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2011. Includes 73,134 shares of unvested restricted common stock of Petrohawk over which Mr. Mize has sole power to vote but disposition rights are currently restricted.

- (10) Includes options to purchase 338,300 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 124,334 shares of unvested restricted common stock of Petrohawk over which Mr. Stoneburner has sole power to vote but disposition rights are currently restricted.
- (11) Includes options to purchase 344,066 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 73,634 shares of unvested restricted common stock of Petrohawk over which Mr. Helm has sole power to vote but disposition rights are currently restricted.
- (12) Includes options to purchase 316,532 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011. Includes 60,000 stock appreciation rights. Includes 96,401 shares of unvested restricted common stock of Petrohawk over which Mr. Herod has sole power to vote but disposition rights are currently restricted.
- (13) With regard to our executive officers who are not named executive officers, includes an aggregate of (i) options to purchase 815,293 shares of Petrohawk common stock which are currently exercisable, and none will become additionally exercisable on or before May 31, 2011, (ii) 101,000 stock appreciation rights, and (iii) 439,271 shares of unvested restricted common stock of Petrohawk over which such officers have sole power to vote but disposition rights are currently restricted.

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EXECUTIVE COMPENSATION

The following discussion of executive compensation contains descriptions of various employment-related agreements and employee benefit plans. These descriptions are qualified in their entirety by reference to the full text of the referenced agreements and plans, which have been filed by us as exhibits to our reports on Forms 10-K, 10-Q and 8-K filed with the SEC.

Compensation Discussion and Analysis

Introduction

The following discussion provides an overview of the compensation committee of our board of directors, the background and objectives of our compensation programs for our senior management, and the material elements of the compensation of each of our executive officers identified in the following table, whom we refer to as our named executive officers:

<u>Name</u>	<u>Title</u>
Floyd C. Wilson	Chairman of the Board and Chief Executive Officer (our principal executive officer)
Mark J. Mize	Executive Vice President—Chief Financial Officer and Treasurer (our principal financial officer)
Richard K. Stoneburner	President and Chief Operating Officer
Larry L. Helm	Executive Vice President—Finance and Administration
Stephen W. Herod	Executive Vice President—Corporate Development and Assistant Secretary

Overview of Our Compensation Program

We operate in a highly competitive environment and must attract, motivate and retain experienced and qualified personnel to be successful. We use a competitive mix of fixed and at-risk compensation directly related to stockholder value and our overall performance to achieve our goals and to align the interests of senior management and key employees to those of our stockholders. While we generally target total compensation for our management at approximately the top quartile of our compensation peer group, we utilize a greater percentage, on average, of "at-risk" compensation than our compensation peer group. At-risk compensation includes annual cash incentives, the payment of which depends upon our compensation committees' annual assessment of management performance, and long-term equity incentives. Generally, long-term equity incentives comprise more than 50% of the value of the total compensation paid to our senior management and, of this, approximately 50% has been in the form of stock options with an exercise price equal to the trading price of our common stock on the date of grant, representing a significantly higher percentage of stock options, on average, than has been utilized by our compensation peer group. Stock options become valuable only if our common stock price increases above the option exercise price. Additionally, each equity award that we issue generally vests over a minimum period of three years. Accordingly, these awards are subject to both the risk of fluctuations in the trading price of our common stock and the risk of forfeiture if vesting requirements are not satisfied. We believe that our compensation program helps us achieve our goals and aligns the interests of senior management with those of our stockholders by combining competitive compensation with the opportunity for greater rewards for exceptional performance.

Our performance relative to specified metrics for 2010, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year, as well as a year over year decrease in lease operating expenses per Mcfe of 40%, were significant factors in annual cash and long-term incentive compensation for 2010 and 2011. Other

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factors included the effectiveness of our management in expanding our core resource-style acreage position, overseeing a successful drilling program, divesting approximately \$2.1 billion in non-core assets and managing our liquidity position in a challenging environment.

Our Compensation Committee

The compensation committee of the board of directors is comprised entirely of independent directors in accordance with the rules of the New York Stock Exchange governing listed companies. The current members of our compensation committee are Gary A. Merriman (Chairman), Christopher A. Viggiano, and Robert C. Stone.

The primary duties and responsibilities of the compensation committee are to establish and implement our compensation policies and programs for senior management, including the named executive officers. The compensation committee has the authority under its charter to engage the services of outside advisors, experts and others to assist it. A copy of our compensation committee charter is available on our website at www.petrohawk.com under the section "*About—Corporate Governance*." The compensation committee also periodically reviews and assesses the adequacy of its charter and recommends any proposed changes to our board of directors for approval.

The compensation committee works with our Executive Vice President—Finance and Administration to establish an agenda for each meeting of the compensation committee and, with the assistance of outside advisors, to prepare meeting materials. Our Chief Executive Officer, Executive Vice President—Finance and Administration and outside advisors may be invited to attend all or a portion of a compensation committee meeting depending on the nature of the matters to be discussed. Only members of the compensation committee vote on items before the compensation committee; however, the compensation committee and board of directors often solicit the views of the Chief Executive Officer on compensation matters, including as they relate to the compensation of the other members of senior management.

Objectives of Our Compensation Program

Our success depends on the continued contributions of our senior management and other key employees. Our compensation program is intended to attract, motivate and retain experienced and qualified personnel by providing compensation that is competitive in relation to our peers while fostering an atmosphere of teamwork, recognizing overall business results and individual merit, and that supports the attainment of our strategic objectives by tying the interests of senior management and key employees to those of our stockholders through the use of equity-based compensation.

Design of Our Compensation Program

Our compensation program for senior management, including the named executive officers, is designed to:

- provide compensation that is competitive with our compensation peer group;
- balance short-term and long-term goals through the use of annual cash incentives and grants of long-term equity incentives; and
- deliver a mix of fixed and at-risk compensation that is directly related to stockholder value and our overall performance.

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Each element of compensation is reviewed and considered with the other elements of compensation to ensure that it is consistent with the goals and objectives of both that particular element of compensation and our overall compensation program and that individually and collectively our compensation practices do not encourage inappropriate, unnecessary or excessive risk taking. In determining senior management compensation, including the compensation of the named executive officers, we considered the following factors:

- our operating and financial performance compared with targeted goals;
- our size, growth and performance relative to companies in our compensation peer group;
- each individual's contributions to our overall results; and
- the external challenges to our ability to attract and retain strong management.

The committee retains an independent compensation consultant, Longnecker & Associates, to assist us in evaluating the competitiveness of our executive compensation programs and in assessing whether our compensation practices are achieving our goals. As part of that engagement, for 2010 and 2011 we also asked Longnecker & Associates to review our annual compensation processes and recommend improvements; review our proposed compensation decisions and advise as us to the appropriateness of our determinations; and review this compensation discussion and analysis and suggest improvements to it.

In connection with our annual compensation process in February 2009, we also engaged Longnecker & Associates to generate a report that included a compilation of compensation data based upon our compensation peer group, broad industry-specific compensation survey data for other companies that participate in energy and general industry surveys, as well as particularized data for industry participants to the extent Longnecker & Associates determined that such additional data would prove useful in our compensation process. In connection with our annual compensation processes in February 2010 and 2011 (including the determination of bonuses for performance paid in the following year), we asked our Executive Vice President—Finance and Administration to compile recent compensation data for comparable executives within our current compensation peer group, set forth below, recent fiscal year-end performance data for our compensation peer group, and to provide compensation data drawn from third-party compensation survey data sources, such as Effective Compensation Inc. ("ECI"), relating to executives within our compensation peer group and a broad survey of compensation for executives of exploration and production companies. We refer to the compensation and performance data that we compile internally, that is drawn from third party data sources and that was prepared by our compensation consultant for prior years collectively as the "Survey Data". We use the Survey Data to assess the competitiveness of our compensation programs with our compensation peer group and their effectiveness in achieving our goals. Longnecker & Associates reports directly to the committee and may work with management when preparing materials for the committee. Neither Longnecker & Associates nor any third party data sources, including ECI, provides any other services for us.

In developing our compensation structure, we review the compensation and benefit practices, as well as levels of pay, of a compensation peer group of companies selected by the compensation committee from oil and natural gas exploration and development companies. We periodically review, evaluate and update our compensation peer group to provide ongoing comparability for compensation purposes. Adjustments to our compensation peer group are made from time to time on account of business combinations or sales of peer group companies, as well as when necessary, in the opinion of our compensation committee, to better reflect the companies that compete with us for management talent and share common characteristics with our business, assets, drilling budget and size. However, because we compete for management talent with other companies in the industry who are engaged in the exploration, development and production of oil and natural gas, both onshore and offshore, we also

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compare our pay practices to a broad industry group based upon the Survey Data. For the compensation structure developed for 2010, the compensation peer group consisted of the following twelve companies:

- Cabot Oil & Gas Corporation
- Chesapeake Energy Corporation
- Cimarex Energy Corporation
- Comstock Resources, Inc.
- EXCO Resources, Inc.
- Forest Oil Corporation
- Newfield Exploration Co.
- Plains Exploration & Production Company
- Range Resources Corporation
- Sandridge Energy, Inc.
- Southwestern Energy Company
- St. Mary Land & Exploration Company

In conjunction with our consideration of cash bonuses to be paid in 2011 based upon 2010 performance, as well as in establishing 2011 base salary and equity awards, we revised our compensation peer group from the prior year group to focus more on companies with significant exposure to natural gas in resource style plays and that are comparable in size to us. Accordingly, for 2011, we added EOG Resources Inc., Pioneer Natural Resources Company and Quicksilver Resources Inc. to our compensation peer group and removed Comstock Resources, Inc., and Sandridge Energy, Inc. The changes to our compensation peer group were approved by our compensation committee. Accounting for these changes, our compensation peer group for 2011 consists of the following thirteen companies:

- Cabot Oil & Gas Corporation
- Chesapeake Energy Corporation
- Cimarex Energy Corporation
- EOG Resources, Inc.
- EXCO Resources, Inc.
- Forest Oil Corporation
- Newfield Exploration Co.
- Pioneer Natural Resources Company
- Plains Exploration & Production Company

- Quicksilver Resources Inc.
- Range Resources Corporation
- Southwestern Energy Company
- St. Mary Land & Exploration Company

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During the past several years we have targeted compensation for our management at approximately the 75th percentile (top quartile) of our compensation peer group. We have established compensation at this level because we believe it is necessary for us to attract and retain talented management capable of executing our rapid growth business plan and managing our business in a competitive environment. In establishing total compensation for our management, our compensation committee assesses the performance of our management relative to our peer group and in light of compensation practices among the broader industry group against whom we compete for management talent.

The operating and financial performance factors that we utilize in our compensation program and the goals that we established relative to those factors are discussed in detail below under the heading "Annual Cash Incentives". As discussed below, in establishing bonuses for 2009 (paid in 2010) our emphasis is on our company's performance across various operating metrics and taking into consideration our management's performance in implementing our strategic objectives in light of internal and external challenges encountered during the year. Our compensation committee views the successful implementation of our goals as a "team" effort and does not establish individualized performance targets or goals. However, our compensation committee does recognize that each member of management will contribute to our overall results and the achievement of our goals to varying degrees, and it takes these relative contributions into account in establishing annual cash incentives, also as discussed below.

2010 Compensation Program

Elements of Compensation

The principal elements of our executive compensation program are base salary, annual cash incentives, long-term equity incentives in the form of stock options, stock appreciation rights and restricted stock grants as well as post-termination severance (under certain circumstances), and other benefits and perquisites, consisting of life and health insurance benefits, a qualified 401(k) savings plan, the reimbursement of automobile expenses for our Chief Executive Officer and the reimbursement of certain club dues for our Chief Executive Officer and Chief Financial Officer. From time to time, the compensation committee may utilize a different mix of compensation depending upon the compensation committee's current view of the most efficacious method to provide incentives under current market conditions, taking into account the practices of our peer group, as reflected in the Survey Data. In the interest of promoting an atmosphere of teamwork, we tend to compensate executives at similar levels of responsibility consistently, both with respect to the magnitude and mix of total compensation.

Base Salary

We review base salaries for our Chief Executive Officer and other executives annually to determine if a change is appropriate. In reviewing base salaries, we consider several factors, including a comparison to base salaries paid for comparable positions in the Survey Data, with particular emphasis on our compensation peer group, the relationship among base salaries paid within our company and individual experience and contributions. Our intent is to fix base salaries at levels that we believe are consistent with our program design objectives, including the ability to attract, motivate and retain individuals in a competitive environment. During 2010, we increased the base salaries of the named executive officers based upon our analysis of the foregoing factors.

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Base salaries for our named executive officers in 2010 were as follows:

<u>Name</u>	<u>2010 Base Salary</u>
Floyd C. Wilson	\$ 1,000,000
Mark J. Mize	\$ 390,000
Richard K. Stoneburner	\$ 500,000
Larry L. Helm	\$ 390,000
Stephen W. Herod	\$ 390,000

Subsequent to 2010, and effective March 1, 2011, we increased the base salaries of certain of the named executive officers based upon our annual analysis of competitive market practice. Information regarding the incremental increase for 2011 in the base salary of the named executive officers is set forth below under the heading "*—Compensation Adjustments and Long-term Incentive Awards Subsequent to Fiscal Year End.*"

Annual Cash Incentives

Annual cash incentives for each year are determined during the February following the end of the year, when our results for the preceding year become available. Annual cash incentive compensation is intended to focus and reward individuals on measures identified as having a positive impact on our annual business results. As a general matter, we review the following performance factors in determining annual cash incentives:

- increases in annual production rates;
- growth in proved reserves and resource potential;
- finding and development costs;
- cash flow from operations per share;
- lease operating expenses per mcfe of production;
- general and administrative expenses per mcfe of production; and
- qualitative factors considered significant by the compensation committee.

With respect to some of these factors, our compensation committee establishes targets in advance, generally in February of each year. For certain other factors, the compensation committee does not establish targets but takes performance relative to prior year results into account in establishing compensation. For 2010, our compensation committee established targets for production of between 650 million cubic feet of natural gas equivalents per day (Mmcfe/d) to 660 Mmcfe/d (adjusted downward on account of divestitures from an original 670 to 680 Mmcfe/d); lease operating and workover expense of between \$0.29 - \$0.39 per mcfe; and general and administrative expenses, excluding stock-based compensation expense of between \$0.40 - \$0.50 per mcfe. As noted above, the compensation committee also typically considers other factors, including changes in finding and development costs, growth in proved reserves and future development potential (taking into account acquisitions and divestitures), operating costs and other measures that are indicative of managements' performance as compared to our past performance and the performance of other companies within our peer group. We do not assign in advance any specific weight to any of the performance factors that we take into account in making compensation determinations. The achievement of any specific performance target is not a condition to any cash incentive awards and does not limit the discretion exercised by our compensation committee in making such awards.

We establish bonus targets and performance targets for senior management for a variety of reasons, including to assist in communicating corporate objectives and expectations and to motivate

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management. However, our compensation program is not formulaic or inflexible. We retain the discretion to alter performance factors and targets and, in assessing the performance of the company or an individual, such other factors as we may consider relevant in establishing compensation. Accordingly, compensation, including annual cash compensation, may vary greatly from year to year and from executive to executive as a consequence of corporate performance and individual contribution relative to the factors listed above and other factors that we may consider important, which may carry varying weight over time depending on the circumstances.

In February 2010, taking into account the compensation practices of our compensation peer group, as reflected in the Survey Data, our compensation committee established an annual cash incentive target for senior executives of 100% of base salary, with the understanding that such amount might be earned if the targets for performance factors established by the compensation committee in advance were met and company performance relative to the other performance factors was deemed satisfactory, in our discretion.

In considering 2010 compensation, including annual cash incentives, our compensation committee considered the Company's performance relative to specified metrics, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, each of which was attained despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year. The compensation committee also considered the year over year decrease in lease operating expenses per Mcfe of 40%, as well as other qualitative factors, including the effectiveness of our management in continuing to implement our overall strategy by expanding our core resource-style acreage position, overseeing a successful drilling program and managing our liquidity position in a challenging environment, including through the disposition of \$2.1 billion in assets and refinancing our notes due 2012 and 2013 with notes due 2018 that carry a lower interest rate.

For 2010, we reported production of 675 Mmcfe/d, compared to 502 Mmcfe/d for 2009, representing a 34% year over year increase based upon actual production and above the target range established by our compensation committee; lease operating expense of \$0.26 per mcfe, which was \$0.17 below 2009 and below the target range; and general and administrative expenses of \$0.53 per mcfe, which was lower than the prior year but above the target range due, in part, to costs associated with divestitures during the year and legal settlements that were not contemplated at the time the target was established. We also reported estimated proved reserves of approximately 3.4 Tcfe compared to 2.75 Tcfe for year-end 2009, or 23% higher than year-end 2009 on an actual basis. The qualitative factors relating to the execution of our strategic plan noted above and these quantitative factors influenced the annual cash compensation paid to the named executive officers for 2010.

In light of the foregoing achievements, and taking into account the Survey Data regarding the cash incentives paid to senior management by our compensation peer group, the compensation committee concluded that annual cash compensation similar in magnitude to the prior year (which was generally twice the target established in advance) had been earned for the year. However, the compensation committee recognized that management's operating achievements for the year had not resulted in a higher year-over-year trading price for the Company's common stock. As a consequence, the compensation committee elected to shift a portion of the annual cash incentives to long-term equity incentives to enhance the alignment of management incentives with stockholder interests. Accordingly, the compensation committee generally approved annual cash incentive payments 20% lower than those awarded in 2009, offset by an increase in the value of long-term incentives, discussed below, by a comparable amount. However, Mr. Wilson was ineligible to receive additional long-term equity incentives under the Company's 2004 Employee Incentive Plan because his long-term equity awards equaled the current plan limits per recipient of 200,000 stock options and 100,000 shares of restricted stock per year. As a consequence, the compensation committee approved an annual cash incentive payment for Mr. Wilson 25% higher than the prior year based upon the Survey Data and the

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compensation committee's assessment of his contributions during 2010. Proposal 4 in this proxy statement relates to the amendment of the 2004 Employee Incentive Plan and would, among other things, increase the limits on stock options and restricted stock that a recipient can receive under that plan to 500,000 shares and 500,000 shares, respectively.

The annual cash incentives awarded to the named executive officers for fiscal year 2010 performance are included in the Summary Compensation Table for 2010. The table reflects awards for 2010 performance that were paid during March 2011.

Long-term Incentives

Long-term incentives comprise a significant portion of a senior executive's compensation package. Long-term incentives are consistent with our objective of providing an "at-risk" component of compensation. Our business strategy embraces the consolidation trend in our industry and providing long-term incentive award opportunities for senior executives and key employees both align their interests with those of our stockholders and help to offset the negative implications that such a strategy may have on our ability to attract and retain talented management and key employees.

For the last several years, the compensation committee has awarded grants of restricted stock and stock options to senior executives, each of which is discussed in more detail below, which have been divided approximately equally by value between restricted stock and stock options, because of the differing risk and reward characteristics of these awards. From time to time, the compensation committee may utilize a different mix of stock options, restricted stock and stock appreciation rights, each of which is permitted under our equity incentive plans, discussed in more detail below, depending upon the compensation committee's current view of the most efficacious method to provide incentives under current market conditions and taking into account the practices of our peer group as reflected in the Survey Data. The compensation committee approves the total stock options, restricted stock and stock appreciation rights that will be made available to all employees as well as the size of individual grants for each member of senior management.

All grants are made in accordance with our Equity-Based Incentive Grant Policy, which sets forth the timing of awards and the procedures for making awards and, in the case of stock options and stock appreciation rights, for determining the exercise price or grant value, respectively, of the award. The amounts granted vary each year and are based on management's performance, our analysis of compensation peer group data, the Survey Data and management's total compensation package. Previous awards and grants, whether vested or unvested, may be considered by the compensation committee in establishing the current year's awards and grant, but has generally not been a significant influence in our current compensation practices.

The long-term incentive information related to the named executive officers during fiscal year 2010 is included in this proxy statement in the Summary Compensation Table for 2010. Additional information on long-term incentive awards for 2010 is shown in the Grants of Plan-Based Awards Table and the Outstanding Equity Awards at December 31, 2010 Table. Information regarding long-term equity incentives granted to the named executive officers subsequent to fiscal 2010 is set forth below under the heading "*—Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End.*"

2004 Employee Incentive Plan

On June 3, 2004, our compensation committee and our board of directors approved the Petrohawk Energy Corporation 2004 Employee Incentive Plan, as amended, referred to as the 2004 Petrohawk Plan. On July 15, 2004, the 2004 Petrohawk Plan was approved by our stockholders. Increases to the number of shares available under the 2004 Petrohawk Plan were subsequently approved by our stockholders in November 2004, July 2005, July 2006, July 2007 and June 2009. Subject to certain

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adjustments that may be required from time to time to prevent dilution or enlargement of the rights of participants under the 2004 Petrohawk Plan, currently a maximum of 17.85 million shares of common stock may be issued under the 2004 Petrohawk Plan, including shares already issued and shares subject to outstanding stock option and stock appreciation rights previously issued under the plan. Out of the total number of shares available under the 2004 Petrohawk Plan, a maximum of 8.18 million shares may be issued under awards of restricted stock, incentive stock (stock issued without a restriction period) and stock appreciation rights, including shares already issued and shares subject to outstanding awards.

The 2004 Petrohawk Plan facilitates the issuance of future long-term incentive awards as part of our comprehensive compensation structure and is administered by a committee of non-employee directors of our board of directors, currently our compensation committee. For the year ended December 31, 2010, substantially all of our employees received awards under the 2004 Petrohawk Plan.

The 2004 Petrohawk Plan permits the granting of awards in the form of options to purchase our common stock, shares of restricted stock, shares of incentive stock (stock issued without a restriction period) and stock appreciation rights. Recipients are not permitted to receive in any one year options or stock appreciation rights to purchase or receive in excess of 200,000 shares or grants of restricted or incentive stock in excess of 100,000 shares. As of December 31, 2010, no incentive stock had been issued, a total of 1,689,640 shares of common stock had been issued as restricted stock, 6,346,467 shares were reserved for the exercise of outstanding stock options and 632,571 shares were reserved for the exercise of outstanding stock appreciation rights. As of December 31, 2010, 5,628,506 shares of our common stock remained available for issuance pursuant to the 2004 Petrohawk Plan, not including shares subject to outstanding awards.

The 2004 Petrohawk Plan will expire on June 2, 2014. No grants will be made under the 2004 Petrohawk Plan after that date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of the 2004 Petrohawk Plan. Our board of directors may, in its discretion, terminate the 2004 Petrohawk Plan at any time. The termination of the 2004 Petrohawk Plan would not affect the rights of participants or their successors under any awards outstanding and not exercised in full on the date of termination. The board may at any time and from time to time amend the 2004 Petrohawk Plan in whole or in part. Any amendment that must be approved by our stockholders in order to comply with the terms of the 2004 Petrohawk Plan, applicable law or the rules of the principal securities exchange, association or quotation system on which our common stock is then traded or quoted will not be effective unless and until such approval has been obtained. The board is not permitted, without the further approval of the stockholders, to make any alteration or amendment that would materially increase the benefits accruing to participants under the 2004 Petrohawk Plan, increase the aggregate number of shares that may be issued pursuant to the provisions of the 2004 Petrohawk Plan, change the class of individuals eligible to receive awards under the 2004 Petrohawk Plan or extend the term of the 2004 Petrohawk Plan.

1999 Incentive and Non-Statutory Stock Option Plan

On August 20, 1999, our board of directors approved the Petrohawk Energy Corporation 1999 Incentive and Non-Statutory Stock Option Plan (the "1999 Plan"). On September 11, 2000, the 1999 Plan was approved by our stockholders. An amendment to the 1999 Plan to increase the number of shares available under the 1999 Plan was subsequently approved by our stockholders on June 20, 2003. As a consequence of the adoption of the 2004 Petrohawk Plan, we no longer grant awards under the 1999 Plan. As of December 31, 2010, a total of 75,000 shares of common stock were issuable upon the exercise of outstanding stock options under the 1999 Plan.

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Incentive Plans Assumed in Connection with Acquisitions

In July 2006, as part of our merger with KCS, we assumed the KCS Energy, Inc. 2001 Employees and Directors Stock Plan (the "2001 KCS Plan") and the 2005 KCS Plan (together with the 2001 KCS Plan, the "KCS Plans"). As of July 18, 2007, no new awards were permitted under the 2005 KCS Plan.

The KCS Plans are administered by our compensation committee. The 2005 KCS Plan permitted grants of awards of options to purchase common stock, shares of restricted stock, shares of incentive stock (stock issued without a restriction period), and stock appreciation rights. On March 2, 2007, 172,850 shares of restricted stock and 397,400 shares of stock appreciation rights were granted under the 2005 KCS Plan to persons that were former employees of KCS and continued to be employed by us. As of December 31, 2010, no shares of restricted stock are outstanding and stock options and appreciation rights covering 1,000,440 shares of our common stock were outstanding under the KCS Plans. All awards outstanding under the 2001 KCS Plan will expire on or before January 3, 2015. All awards outstanding under the 2005 KCS Plan will expire on or before March 2, 2017.

In July 2005, as part of our merger with Mission Resources Corporation, we also assumed the Mission Resources Corporation 2004 Incentive Plan (the "Mission 2004 Plan") and the Mission Resources Corporation 1996 Incentive Plan (the "Mission 1996 Plan," and together, the "Mission Plans"). We do not issue new awards under the Mission Plans. As of December 31, 2010, there were options for the purchase of a total of 31,711 shares of our common stock outstanding under the Mission Plans. All awards outstanding under the Mission Plans expire on or before May 19, 2014.

Stock Options

An important objective of the long-term incentive program is to strengthen the relationship between the long-term value of our stock price and the potential financial gain for employees. Stock options provide senior management and key employees with the opportunity to purchase our common stock at a price fixed on the grant date regardless of future market price. A stock option becomes valuable only if our common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest, thus providing an incentive for an option holder to remain employed by us. Stock options link the option holder's compensation to stockholders' interests by providing an incentive to increase the market price of our stock.

Option grants to senior management are generally considered annually, at the same time as grants are considered for the general eligible employee population, in February, after our year-end results become available. Our practice is that the exercise price for each stock option is the market value on the date of grant, which is normally the date that our compensation committee approves the award at a meeting of the compensation committee or, if later, 48 hours after our release of earnings in accordance with our Insider Trading Policy. Our current policy provides for grants to be made or priced only during a trading window, as set forth in our Insider Trading Policy, and within such window only at such time as there is no material non-public information regarding the company. Under our 2004 Petrohawk Plan the option price may not be less than the fair market value (the closing market price) of the shares on the date of grant. With respect to employees who are not executive officers, the compensation committee may delegate its authority to make such grants to our Chief Executive Officer by specifying the grant date, the total number of shares that may be subject to grants and other material terms of the grants. All proposed stock options to new-hire employees are required to be approved by our compensation committee. Alternatively, our compensation committee may authorize in writing, in advance of any fiscal quarter, the number of shares underlying stock options that may be granted to new hire employees for the following fiscal quarter and provide that our chief executive officer may allocate such stock options at his discretion. The grant date in this instance is generally the first day of the month following the date of hire.

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Stock options generally vest and become exercisable one-third annually after the original grant date. In certain instances, however, stock options may vest on an accelerated basis, such as in the event an executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all stock options held by the executive may automatically vest and become exercisable in accordance with the terms outlined in the stock option award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all stock options held by an executive to automatically vest and become exercisable in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

There is a limited term in which an executive can exercise stock options, known as the "option term." The option term is generally ten years from the date of grant, which is the maximum term of an option permitted under the 2004 Petrohawk Plan, the Mission Plan and the KCS Plans. At the end of the option term, the right to purchase shares pursuant to any unexercised option expires.

The exercise prices of the stock options granted to the named executive officers during fiscal year 2010 are shown in the Grants of Plan-Based Awards in 2010 Table. Additional information on these grants, including the number of shares subject to each grant, also is shown in the Grants of Plan-Based Awards in 2010 Table.

Restricted Stock Awards

During 2010, we granted restricted stock awards to various officers (including our named executive officers) and key employees under the 2004 Petrohawk Plan. Restricted stock awards are shares of our common stock that are awarded with the restriction that the executive remain with us through certain "vesting" dates. Prior to the restrictions thereon lapsing, the participant may not sell, transfer, pledge, assign or take any similar action with respect to the shares of restricted stock which the participant owns. Despite the restrictions, each participant will have full voting rights and will receive any dividends or other distributions, if any, with respect to the shares of restricted stock which the participant owns. Once the restrictions lapse with respect to shares of restricted stock, the participant owning such shares will hold freely-transferable shares, subject only to any restrictions on transfer contained in our certificate of incorporation, bylaws and insider trading policies, as well as any applicable federal or state securities laws.

The compensation committee does take prior grants into account in the design of future programs and awards. Restricted stock awards to senior management are generally considered annually, in February, after our year-end results become available, and at the same time as grants to the general eligible employee population are considered.

Restricted stock awards provide the opportunity for capital accumulation and more predictable long-term incentive value. The purpose of granting restricted stock awards is to encourage ownership, encourage retention of our senior management and result in business decisions that may drive stock price appreciation. Recognizing that our business is subject to significant fluctuations in commodity prices that may cause the market value of our common stock to fluctuate, we also intended the awards to provide an incentive for senior management to remain with us throughout commodity price and business cycles.

Restricted stock awards generally vest one-third annually after the original award date. As a consequence, the recipients do not become unconditionally entitled to retain any of the shares of restricted stock until one year following the date of grant, subject to certain exceptions related to termination of employment. Any unvested restricted stock awards generally are forfeited if the

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executive terminates employment with us. In certain instances, however, restricted stock awards may vest on an accelerated basis, such as in the event of the executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all restricted stock awards held by the executive may automatically vest in accordance with the terms outlined in the restricted stock award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all restricted stock awards held by an executive to automatically vest in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

The restricted stock grants to the named executive officers during fiscal year 2010 are shown in this proxy statement in the Grants of Plan-Based Awards in 2010 Table.

Stock Appreciation Rights

The 2004 Petrohawk Plan permits awards of stock appreciation rights. A stock appreciation right is very similar to a stock option, in that it represents the right to realize the increase in market price, if any, of a fixed number of shares over the grant value of the right, which is equal to the market price of our common stock on the date of grant. However, whereas to realize the value of a stock option the holder typically pays the exercise price in exchange for shares of stock underlying the option, the value embodied by the stock appreciation right, if any, may be settled in exchange for shares of common stock valued on the date of settlement.

Stock appreciation rights provide incentives for the recipient that are very similar to the incentives provided by stock options, in that the stock appreciation right becomes valuable only if our common stock price increases above the grant value of the right and the holder of the right remains employed during the period required for the right to vest, thus providing an incentive for the holder to remain employed by us. Stock appreciation rights link a portion of the holder's compensation to stockholders' interests by providing an incentive to increase the market price of our stock.

Grants of stock appreciation rights to senior management are generally considered annually, at the same time as grants are considered for the general eligible employee population, in February, after our year-end results become available. Our practice is that the grant value for each stock appreciation right is the market value of our common stock on the date of grant, which is normally the date that our compensation committee approves the award at a meeting of the compensation committee or, if later, 48 hours after our release of earnings in accordance with our Insider Trading Policy. Our current policy provides for grants to be made during a trading window, as set forth in our Insider Trading Policy, and within such window only at such time as there is no material non-public information regarding the company. With respect to employees who are not executive officers, the compensation committee may delegate its authority to make such grants to our Chief Executive Officer by specifying the grant date, the total number of shares that may be subject to grants and other material terms of the grants. All proposed grants of stock appreciation rights to new-hire employees are required to be approved by our compensation committee. Alternatively, our compensation committee may authorize in writing, in advance of any fiscal quarter, the number of shares underlying stock appreciation rights that may be granted to new hire employees for the following fiscal quarter and provide that our Chief Executive Officer may allocate such stock options at his discretion. The grant date in this instance is generally the first day of the month following the date of hire.

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Stock appreciation rights generally vest one-third annually after the original grant date. In certain instances, however, stock appreciation rights may vest on an accelerated basis, such as in the event an executive's employment is terminated by us without cause or by the executive with good reason, in the event that the executive terminates his employment within a certain period following a transaction that effects a change in the control of our company, or in the event of the executive's death or disability while employed by us. Under these circumstances all stock appreciation rights held by the executive may automatically vest in accordance with the terms outlined in the stock appreciation award agreement or the employment agreement, if applicable. The employment agreements that we have entered into with the named executive officers provide for all stock appreciation awards held by an executive to automatically vest in the event his employment is terminated by us without cause or by the executive with or without good reason within a two-year period following a change of control of our company.

There is a limited term in which an executive can exercise a stock appreciation right, known as the "term." The term is generally ten years from the date of grant, which is the maximum term permitted under the 2004 Petrohawk Plan. At the end of the term, the right to receive the value of the stock appreciation right expires. No stock appreciation rights were granted in 2010.

Retirement Benefits

We do not maintain a defined benefit pension plan or retiree medical program that covers members of senior management. Retirement benefits to our senior management, including the named executive officers, are currently provided principally through a tax-qualified profit sharing and 401(k) plan (our "Savings Plan"), in which eligible salaried employees may participate. Pursuant to the Savings Plan, employees may elect to reduce their current annual compensation up to the lesser of 75% or the statutorily prescribed limit of \$16,500 in calendar year 2010 (plus up to an additional \$5,500 in the form of "catch-up" contributions for participants age 50 and above), and have the amount of any reduction contributed to the Savings Plan. Our Savings Plan is intended to qualify under sections 401(a) and 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), so that contributions by us or our employees to the Savings Plan and income earned on contributions are not taxable to employees until withdrawn from the Savings Plan and so that contributions will be deductible by us when made. We match 100% of the amount an employee contributes to the Savings Plan, subject to a 10% maximum based on the employee's compensation as defined in the Savings Plan. Executives participate in the Savings Plan on the same basis as other employees.

The Savings Plan provides for 35 different investment options, for which the participant has sole discretion in determining how both the employer and employee contributions are invested. The independent trustee of the Savings Plan then invests the assets of the Savings Plan as directed by participants. The Savings Plan does not provide our employees the option to invest directly in our securities. The Savings Plan offers in-service withdrawals in the form of after-tax account distributions and age 59.5 distributions.

We believe that the Savings Plan supports the objectives of our compensation structure, including the ability to attract and retain senior and experienced mid- to late-career executives for critical positions within our organization.

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Outstanding Equity Awards Under All Stock Plans:

The following tables represent outstanding equity awards under all equity plans as of December 31, 2010, including the KCS Plans and the Mission Plans. We do not issue new awards under the KCS Plans or the Mission Plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted- Average Exercise Price of Outstanding Options and Rights	Average Remaining Contractual Life (Years)
Stock Options	7,229,684	\$ 14.93	6.9
Stock Appreciation Rights	856,505	\$ 11.64	6.2
Total:	8,086,189	\$ 14.58	6.8

	Number of Securities to be Issued Upon Vesting (#)
Restricted Stock	1,689,640

As of December 31, 2010 a total of 5,628,506 shares were available for future grants under the 2004 Petrohawk Plan and 593,200 shares were available for future grants under the Non-Employee Director Incentive Plan.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

On July 11, 2006, we entered into employment agreements with Messrs. Wilson, Mize, Stoneburner, Helm and Herod. During 2006 we faced increasing competition for management talent at the same time as anticipated changes to our board of directors and the constitution of our compensation committee as a consequence of our pending merger with KCS created greater uncertainty for management. These factors led us to conclude that it was appropriate and in our best interests to enter into employment agreements with each of such named executive officers.

In September 2007, we amended the employment agreements for each of Messrs. Wilson, Mize, Stoneburner, Helm and Herod to clarify payment terms under change of control and employment termination scenarios and to comply with final Section 409A regulations.

In February 2011, we amended the employment agreement with Mr. Wilson to provide for a two year term (the "Term") commencing February 21, 2011, and ending on the February 21, 2013. Prior to the amendment, Mr. Wilson's employment agreement was automatically extended for additional one-year periods on each one-year anniversary of the date of its original execution. Under the amended employment agreement, a failure by the Company to extend Mr. Wilson's employment agreement for an additional Term prior to its expiration will constitute "good reason", permitting Mr. Wilson to terminate the agreement and seek the severance payments and benefits set forth in the employment agreement.

Term of Employment Agreements

The initial term of employment of each of our current named executive officers was two years from the effective date of their employment agreements. Each agreement with an executive other than Mr. Wilson provides for automatic one-year extensions unless either party provides written notice six months prior to expiration of the initial term or any extension. During 2010, the employment agreement with each named executive officer was automatically renewed while Mr. Wilson's employment agreement was renewed for a two year period ending on February 21, 2013.

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Compensation and Benefits

The salary payable to each of the named executives during 2010 is the amount set forth under the heading "*2010 Base Salary*" in the table above. The salary of each executive is subject to periodic review and may be increased from time to time by the compensation committee. The base salary for each of the named executives during 2011 is set forth in under the heading "*Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End*" below. Each executive is eligible to receive bonuses, grants of stock options, restricted stock or other equity awards as determined in the discretion of the compensation committee. Each of the executives is also entitled to reimbursement for reasonable business expenses and to participate in our life, health, and dental insurance programs, and all other employee benefit plans which we may, from time to time, make available. We do not provide tax gross-ups for compensation or benefits, other than under limited circumstances where excise taxes are imposed by Section 4999 or Section 409A of the Code.

Our Chief Executive Officer is entitled under his employment agreement to receive a vehicle allowance and reimbursement for admission to, and the dues for, one club membership. Our Chief Financial Officer is entitled under his employment agreement to be reimbursed for admission to, and the dues for, one club membership.

Our use of expense reimbursement and perquisites as an element of compensation is limited and is largely based on historical practices. We do not view these items as a significant element of our compensation structure but do believe that they can be used in conjunction with base salary to attract, motivate and retain individuals in a competitive environment. The compensation committee annually reviews these items provided to determine if they are appropriate and if any adjustments are warranted.

Termination Provisions and Severance Payments

We may terminate each executive's employment upon disability, and at any time for cause or without cause. Each executive may terminate his employment at any time, and such termination will be deemed to be with "good reason" if it is based on uncured material breaches of his employment agreement by us, a reduction in the base compensation or target bonus payable to him, a material reduction in the scope of his office and responsibilities, a failure by us to continue any compensation or benefit plan that is material to the executive's total compensation or the permanent relocation of the executive outside of the metropolitan area of Houston, Texas. If the employment of any of the executives is terminated by death or disability, such executive (or his personal representative in the event of death) is entitled to receive his accrued unpaid base compensation, plus an optional bonus to be determined by the compensation committee, and all stock options and other incentive awards held by the executive will become fully vested and immediately exercisable, and all restrictions on any shares of restricted stock will be removed. If the employment of any of the executives is terminated by us for cause, such executive (or his or her personal representative in the event of death) is entitled to receive his accrued unpaid base compensation.

If the employment of any executive is terminated by us without cause or by such executive with good reason, and such termination is not within two years after a change in control, such executive will be entitled to the accrued portion of unpaid salary, payment of the greater of a prorated amount of the executive's bonus for the year in which the termination occurs or a bonus for such year as may be determined by our compensation committee or our board in their sole discretion, a severance payment equal to one year's base salary plus the higher of the current year target bonus or the bonus paid for the preceding year, payment of the premiums for medical and dental insurance for him and his entire family for one year following termination, and the full vesting of all his unvested options and all restrictions removed from his shares of restricted stock. If such executive is terminated by us without cause or such executive terminates his employment with the Company *with or without* good reason, and such termination is within two years after a change in control, such executive will be entitled to receive

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the accrued portion of unpaid salary, payment of the greater of a prorated amount of the executive's bonus for the year in which the termination occurs or a bonus for such year as may be determined by our compensation committee or our board in their sole discretion, a severance payment equal to two times his base salary plus the higher of the current year target bonus or the bonus paid for the year prior to the year in which the change of control occurred, payment of the premiums for medical and dental insurance for him and his entire family for two years following termination, and the full vesting of all his unvested options and all restrictions removed from his shares of restricted stock. If the employment of such executive is terminated by such executive without good reason and not within two years after a change in control, such executive is entitled to receive his accrued unpaid base compensation.

The employment agreements with the named executive officers generally define a change of control to mean any of the following events:

- any person or group becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the total voting power of our outstanding voting stock;
- our merger with or consolidation into another entity and, immediately after giving effect to the merger or consolidation, one or both of the following occurs: (a) less than 50% of the total voting power of the outstanding voting stock of the surviving or resulting entity is then "beneficially owned" in the aggregate by our stockholders immediately prior to such merger or consolidation, or (b) the individuals who were members of our board of directors immediately prior to the execution of the agreement providing for the merger or consolidation do not constitute at least a majority of the members of the board of directors of the surviving or resulting entity;
- we sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our assets to a third party in one transaction or a series of related transactions;
- individuals who constitute our board of directors cease for any reason to constitute at least a majority of our board of directors unless such persons were elected, appointed or nominated by a vote of at least a majority of our incumbent directors; or
- the complete liquidation or dissolution of our company.

In our view, having the change of control and severance protections helps to maintain the named executive officer's objectivity in decision-making and provides another vehicle to align the interests of our named executive officer with the interests of our stockholders.

The following table sets forth the estimated amounts that would be payable to each of the named executives upon a termination under the scenarios outlined above, excluding termination for cause or on account of death or disability, assuming that such termination occurred on December 31, 2010 and using the closing price of our common stock at December 31, 2010 for purposes of the calculations as required by the SEC. The dollar amounts set forth under the column heading "*Early Vesting of Restricted Stock/Options*" correspond to the amounts that would be paid, in addition to accrued and unpaid salary through the date of death or disability, in the event of the death or disability at year-end

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of each of the executives. There can be no assurance that these scenarios would produce the same or similar results as those disclosed if a termination occurs in the future.

	Severance Payment ⁽¹⁾	Early Vesting of Restricted Stock/Options ⁽²⁾	Other ⁽³⁾	Total ⁽⁴⁾
<i>Without Cause/For Good Reason</i>				
Floyd C. Wilson	\$ 3,500,000	\$ 3,379,611	\$ 23,352	\$ 6,902,963
Mark J. Mize	\$ 950,000	\$ 1,202,851	\$ 18,813	\$ 2,171,664
Richard K. Stoneburner	\$ 1,220,000	\$ 1,915,811	\$ 23,352	\$ 3,159,163
Larry L. Helm	\$ 950,000	\$ 1,252,809	\$ 22,963	\$ 2,225,772
Stephen W. Herod	\$ 1,110,000	\$ 1,426,840	\$ 22,963	\$ 2,559,803
<i>Following Change of Control</i>				
Floyd C. Wilson	\$ 7,000,000	\$ 3,379,611	\$ 23,352	\$ 10,402,963
Mark J. Mize	\$ 1,900,000	\$ 1,202,851	\$ 18,813	\$ 3,121,664
Richard K. Stoneburner	\$ 2,440,000	\$ 1,915,811	\$ 23,352	\$ 4,379,163
Larry L. Helm	\$ 1,900,000	\$ 1,252,809	\$ 22,963	\$ 3,175,772
Stephen W. Herod	\$ 2,220,000	\$ 1,426,840	\$ 22,963	\$ 3,669,803

- (1) Represents total annual compensation (2010 salary plus 2010 bonus) multiplied, in the event of a change of control, by 2.
- (2) As reflected above, the value of unvested restricted stock, stock options and stock appreciation rights that would vest under each of these termination scenarios is based on our common stock price at December 31, 2010. Amounts do not include the dollar value of restricted stock or stock options that vested prior to December 31, 2010.
- (3) Represents an estimate of health insurance benefits to be provided under each of the scenarios based on actual amounts paid out in 2010.
- (4) Excludes gross-up payments, if any, to cover excise taxes imposed under Code Section 4999 or Section 409A.

Board Representation

Mr. Wilson's employment agreement provides that he will be nominated as a member of our board of directors, and that we will use our best efforts to cause him to be elected, appointed, or re-elected or re-appointed, as a director.

Indemnification Agreements

We have entered into an indemnification agreement with each of our independent, non-management directors and senior executives. These agreements provide for us to, among other things, indemnify such persons against certain liabilities that may arise by reason of their status or service as directors or officers, to advance their expenses incurred as a result of a proceeding as to which they may be indemnified and to cover such person under any directors' and officers' liability insurance policy we choose, in our discretion, to maintain. These indemnification agreements are intended to provide indemnification rights to the fullest extent permitted under applicable indemnification rights statutes in the State of Delaware and are in addition to any other rights such person may have under our certificate of incorporation, bylaws and applicable law. We believe these indemnification agreements enhance our ability to attract and retain knowledgeable and experienced executives and independent, non-management directors.

Tax Deductibility

Section 162(m) of the Code limits the deductibility of compensation in excess of \$1 million paid to our Chief Executive Officer and our four other highest-paid executive officers unless the compensation is performance-based as determined by applying certain specific and detailed criteria. We believe that it is often desirable and in our best interests to deduct compensation payable to our executive officers. However, we also believe that there are circumstances where our interests are best served by maintaining flexibility in the way compensation is provided, even if it might result in the non-deductibility of certain compensation under the Code. In this regard, we consider the anticipated tax treatment to our company and our executive officers in the review and establishment of compensation programs and payments; however, we may from time to time pay compensation to our executives that may not be deductible, including discretionary bonuses or other types of compensation outside of our plans.

Although equity awards may be deductible for tax purposes by us, the accounting rules pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Options (the successor to FASB Statement No. 123 (revised 2004) ("ASC Topic 718")) require that the portion of the tax benefit in excess of the financial compensation cost be recorded to paid-in-capital.

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Summary Compensation Table

The table below sets forth information regarding compensation for our named executive officers for the periods indicated:

Name and Principal Position	Year	Salary	Bonus ⁽¹⁾	Stock Awards ⁽²⁾	Option/ SAR Awards ⁽²⁾	All Other Compensation	Total
						(3)	(4)
Floyd C. Wilson	2010	\$ 1,000,000	\$ 2,500,000	\$ 2,118,000	\$ 2,060,000	\$ 59,760 ⁽⁵⁾	\$ 7,737,760
						(3)	(4)
Chairman of the Board and Chief	2009	\$ 965,000	\$ 2,000,000	\$ 1,066,100	\$ 1,317,200	\$ 58,832 ⁽⁵⁾	\$ 5,407,132
						(3)	(4)
Executive Officer	2008	\$ 660,000	\$ 2,000,000	\$ 958,240	\$ 751,180	\$ 32,540 ⁽⁵⁾	\$ 4,401,960
						(3)	
Mark J. Mize	2010	\$ 390,000	\$ 560,000	\$ 692,586	\$ 692,160	\$ 46,894 ⁽⁶⁾	\$ 2,381,640
						(3)	
Executive Vice President—Chief Financial	2009	\$ 350,000	\$ 700,000	\$ 426,440	\$ 519,760	\$ 46,337 ⁽⁶⁾	\$ 2,042,537
						(3)	
Officer and Treasurer	2008	\$ 300,000	\$ 600,000	\$ 343,520	\$ 264,500	\$ 21,112 ⁽⁶⁾	\$ 1,529,132
						(3)	
Richard K. Stoneburner President and Chief Operating Officer	2010	\$ 500,000	\$ 720,000	\$ 1,154,310	\$ 1,152,570	\$ 44,963 ⁽³⁾	\$ 3,571,843
	2009	\$ 450,000	\$ 900,000	\$ 839,940	\$ 619,440	\$ 44,907 ⁽³⁾	\$ 2,854,287
	2008	\$ 350,000	\$ 1,000,000	\$ 470,080	\$ 359,720	\$ 20,500 ⁽³⁾	\$ 2,200,300
						(3)	
Larry L. Helm Executive Vice President—Finance and Administration	2010	\$ 390,000	\$ 560,000	\$ 692,586	\$ 692,160	\$ 40,813 ⁽³⁾	\$ 2,375,559
	2009	\$ 375,000	\$ 700,000	\$ 426,440	\$ 519,760	\$ 40,394 ⁽³⁾	\$ 2,061,594
	2008	\$ 350,000	\$ 700,000	\$ 488,160	\$ 386,170	\$ 20,500 ⁽³⁾	\$ 1,944,830
						(3)	
Stephen W. Herod Executive Vice President—Corporate Development and Assistant Secretary	2010	\$ 390,000	\$ 720,000	\$ 923,448	\$ 922,880	\$ 45,352 ⁽³⁾	\$ 3,001,680
	2009	\$ 350,000	\$ 900,000	\$ 426,440	\$ 519,760	\$ 44,776 ⁽³⁾	\$ 2,240,976
	2008	\$ 325,000	\$ 650,000	\$ 415,840	\$ 333,270	\$ 15,500 ⁽³⁾	\$ 1,739,610

(1) Comprised of annual cash incentive bonus paid subsequent to year end for prior year performance.

(2) Represents the grant date fair value of awards granted during the indicated year, as determined in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholder's Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. See the "Grants of Plan-Based Awards Table" for information on awards made in 2010. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers.

(3) Includes the matching contribution that we make on account of employee contributions under our tax-qualified profit sharing and 401(k) plan. Also includes benefit plan contributions for 2010.

(4) Includes \$3,602, \$1,168 and \$3,507 relating to club dues paid by the company in 2008, 2009 and 2010, respectively.

(5) Includes \$8,438, \$12,758 and \$10,900 relating to use of company automobile in 2008, 2009 and 2010, respectively.

(6) Includes \$5,612, \$7,061 and \$7,430 relating to club dues paid by the company in 2008, 2009 and 2010, respectively.

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Grants of Plan-Based Awards in 2010

The table below sets forth information regarding grants of plan-based awards made to our named executive officers during 2010.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			Type of Award (#) ⁽²⁾	Exercise or Base Price of Option Awards (\$/Sh) ⁽³⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁴⁾
		Threshold (#) ⁽¹⁾	Target (#)	Maximum (#) ⁽¹⁾			
Floyd C. Wilson	2/24/2010	—	200,000	—	Options	\$ 21.18	\$2,060,000
					Restricted		
	2/24/2010	—	100,000	—	Stock	—	\$2,118,000
Mark J. Mize	2/24/2010	—	67,200	—	Options	\$ 21.18	\$ 692,160
					Restricted		
	2/24/2010	—	32,700	—	Stock	—	\$ 692,586
Richard K. Stoneburner	2/24/2010	—	111,900	—	Options	\$ 21.18	\$1,152,570
					Restricted		
	2/24/2010	—	54,500	—	Stock	—	\$1,154,310
Larry L. Helm	2/24/2010	—	67,200	—	Options	\$ 21.18	\$ 692,160
					Restricted		
	2/24/2010	—	32,700	—	Stock	—	\$ 692,586
Stephen W. Herod	2/24/2010	—	89,600	—	Options	\$ 21.18	\$ 922,880
					Restricted		
	2/24/2010	—	43,600	—	Stock	—	\$ 923,448

- (1) Awards granted under our 2004 Employee Incentive Plan provide only for a single estimated payout. Under our 2004 Employee Incentive Plan there are no minimum amounts payable for a certain level of performance and there are no maximum payouts possible above the target. Thus, there are no thresholds or maximums (or equivalent items) applicable to these awards.
- (2) Represents shares of restricted stock or stock options issued under our 2004 Employee Incentive Plan. The shares of restricted stock and stock options vest in three equal installments on each anniversary of the date of grant, beginning on the first anniversary of the date of grant, in each case provided that the recipient has been continuously employed at such date.
- (3) The exercise price of each award is equal to the closing market price of our common stock on the date of grant.
- (4) Represents the full grant date fair value determined in accordance with ASC Topic 718. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholders' Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers.

Outstanding Equity Awards at December 31, 2010

The following table summarizes the number of securities underlying outstanding plan awards for each named executive officer as of December 31, 2010.

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (1)(2) (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Shares or Units of Stock That Have Not Vested(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested	
Floyd C. Wilson	150,000		—	\$ 7.50	07/12/2014	164,334	\$2,999,096	—	\$ —	
	175,000			\$ 8.51	01/26/2015					
	150,000			\$ 11.64	03/02/2017					
	94,666	47,334		\$ 18.08	02/28/2018					
	61,666	123,334		\$ 15.23	03/02/2019					
		200,000		\$ 21.18	02/24/2020					
Mark J. Mize	15,000		—	\$ 10.23	08/11/2016	57,701	\$1,053,043	—	\$ —	
	30,000			\$ 11.64	03/02/2017					
	33,333	16,667		\$ 18.08	02/28/2018					
	24,333	48,667		\$ 15.23	03/02/2019					
		67,200		\$ 21.18	02/24/2020					
Richard K. Stoneburner	75,000		—	\$ 7.50	07/12/2014	95,167	\$1,736,798	—	\$ —	
	100,000			\$ 8.51	01/26/2015					
	60,000			\$ 11.64	03/02/2017					
	45,333	22,667		\$ 18.08	02/28/2018					
	29,000	58,000		\$ 15.23	03/02/2019					
		111,900		\$ 21.18	02/24/2020					
Larry L. Helm	75,000		—	\$ 7.50	07/12/2014	60,367	\$1,101,698	—	\$ —	
	125,000			\$ 8.51	01/26/2015					
	60,000			\$ 11.64	03/02/2017					
	48,666	24,334		\$ 18.08	02/28/2018					
	24,333	48,667		\$ 15.23	03/02/2019					
		67,200		\$ 21.18	02/24/2020					
Stephen W. Herod	75,000		—	\$ 7.50	07/12/2014	69,934	\$1,276,296	—	\$ —	
	100,000			\$ 8.51	01/26/2015					
	60,000			\$ 11.64	03/02/2017					
	42,000	21,000		\$ 18.08	02/28/2018					
	24,333	48,667		\$ 15.23	03/02/2019					
		89,600		\$ 21.18	02/24/2020					

(1) Represents unvested stock options.

(2) Awards held by executives vest in three equal installments on each anniversary of the date of grant, beginning on the first anniversary of the date of grant, provided that the recipient has been continuously employed at such date.

(3) Calculated based upon the closing market price of our common stock as of December 31, 2010, the last trading day of our 2010 fiscal year (\$18.25) multiplied by the number of unvested awards at year end.

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Compensation Adjustments and Long-Term Incentive Awards Subsequent to Fiscal Year End

Subsequent to December 31, 2010, as part of the analysis of executive compensation that is undertaken annually by our compensation committee, we approved increases in the base salaries of each of our named executive officers and granted awards to each executive officer of long-term equity incentives under our Third Amended and Restated 2004 Employee Incentive Plan. These incentives were in the form of grants of restricted stock and non-qualified stock options. The restricted stock grants and non-qualified stock options vest in three equal annual increments beginning on the first anniversary of the grant date. The incremental increase in salary and the number of shares covered by the equity awards for each named executive officer are set forth in the table below. The exercise price per share for each stock option reflected in the following table is \$20.57, which was the closing market price of our common stock on the date of grant, February 23, 2011.

<u>Name</u>	<u>Salary Increase</u>	<u>2011 Base Salary</u>	<u>Number of Shares Underlying Stock Options (#)</u>	<u>Restricted Stock Award (#)</u>
Floyd C. Wilson	\$ —	\$ 1,000,000	200,000	100,000
Mark J. Mize	\$ 10,000	\$ 400,000	82,000	42,000
Richard K. Stoneburner	\$ 75,000	\$ 575,000	132,000	67,000
Larry L. Helm	\$ 10,000	\$ 400,000	83,500	42,500
Stephen W. Herod	\$ 10,000	\$ 400,000	114,000	58,000

Option Exercises and Stock Vested

The following table summarizes option exercises and the vesting of restricted stock for our named executive officers in 2010.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Exercise</u>	<u>Value Realized on Exercise</u>	<u>Number of Shares Acquired on Vesting (#)⁽¹⁾</u>	<u>Value Realized on Vesting</u>
Floyd C. Wilson	—	—	66,000	\$ 1,436,083 ⁽²⁾
Mark J. Mize	—	—	25,666	\$ 528,126 ⁽³⁾
Richard K. Stoneburner	—	—	39,667	\$ 807,264 ⁽⁴⁾
Larry L. Helm	—	—	31,667	\$ 668,377 ⁽⁵⁾
Stephen W. Herod	—	—	27,000	\$ 587,273 ⁽⁶⁾

(1) Represents vesting of various restricted stock grants made to each individual during years 2007, 2008 and 2009.

(2) Represents the market-close prices of \$21.40, \$21.89 and \$21.89 of our common stock on the dates of vesting of 17,667, 25,000 and 23,333 shares, respectively.

(3) Represents the market-close prices of \$21.40, \$21.89, \$21.89 and \$15.77 of our common stock on the dates of vesting of 6,333, 5,000, 9,333 and 5,000 shares, respectively.

(4) Represents the market-close prices of \$21.40, \$21.89, \$21.89, \$15.95 and \$16.47 of our common stock

on the dates of vesting of 8,667, 10,000, 11,000, 5,000 and 5,000 shares, respectively.

- (5) Represents the market-close prices of \$21.40, \$21.89, \$21.89 and \$15.77 of our common stock on the dates of vesting of 9,000, 10,000, 9,333 and 3,334 shares, respectively.
- (6) Represents the market-close prices of \$21.40, \$21.89 and \$21.89 of our common stock on the dates of vesting of 7,667, 10,000 and 9,333 shares, respectively.

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2010 with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance. The numbers of shares of stock issuable upon exercise of options and the per share option exercise prices, and the number of securities remaining available for future issuance under equity compensation plans used in the following table reflect an adjustment for the one-for-two reverse stock split effective May 26, 2004.

<u>Plan Category</u>	<u>Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights(a) (#)</u>	<u>Weighted- Average Exercise Price of Outstanding Options and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (#)</u>
Equity compensation plans approved by security holders (1)	9,775,829 ⁽²⁾ \$	14.58	6,221,706
Equity compensation plans not approved by security holders	— \$	—	—
Total	9,775,829⁽²⁾\$	14.58	6,221,706

(1) Represents information for the 2004 Employee Incentive Plan, 2004 Non-Employee Director Incentive Plan, 75,000 shares covered by the 1999 Plan, 1,000,400 shares covered by the 2001 KCS and 2005 KCS Plans which we assumed in our merger with KCS, 31,711 shares under plans that we assumed in our merger with Mission Resources Corporation. We do not issue new grants under these assumed plans or our 1999 plan.

(2) Includes 1,689,640 shares of unvested restricted stock.

Stock Ownership Policy

February 17, 2011, our board of directors, adopted a Stock Ownership Guidelines Policy (the "Policy") applicable to our board of directors and Chief Executive Officer to ensure that they maintain a meaningful economic stake in the Company. The Policy is designed to maintain stock ownership of our directors and Chief Executive Officer at a significant level so as to further align their interests with the interests of our stockholders in value creation. Our directors are required to hold a number of shares of our common stock valued at three times (3x) the annual cash retainer paid to them by the Company and our Chief Executive Officer is required to hold a number of shares of our common stock valued at three times (3x) the base salary paid to him by the Company. Shares are valued at the average closing prices for our common stock for the previous year. Unexercised stock options and unvested restricted stock are not counted towards meeting these requirements.

Under the Policy, our directors and Chief Executive Officer have three years to comply with the ownership requirement starting from the later of the date the Policy was adopted and the date the person first became a member of the board of directors or Chief Executive Officer, as applicable. Until the applicable stock ownership level is attained, persons subject to the Policy are required to retain 50% of shares of common stock received as a result of the exercise of stock options or vesting of shares of restricted stock, in each case net of share sold to pay applicable withholding taxes and, in the case of an option, the exercise price. Deviations and waivers from the Policy must be approved by the board of directors upon a recommendation from our Nominating and Corporate Governance Committee.

DIRECTOR COMPENSATION

2010 Director Compensation

The table below sets forth certain information concerning the compensation earned in 2010 by our non-employee directors for service on our board of directors during 2010.

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>Stock Awards⁽¹⁾</u>	<u>Option Awards</u>	<u>All Other Compensation</u>	<u>Total⁽²⁾</u>
James W. Christmas	\$ 95,417	\$ 285,280	\$ —	\$ —	\$ 380,697
Tucker S. Bridwell (3)	\$ 82,536 ⁽⁴⁾	\$ 190,781	\$ —	\$ —	\$ 273,317
Thomas R. Fuller	\$ 99,583	\$ 190,781	\$ —	\$ —	\$ 290,364
James L. Irish III	\$ 107,917	\$ 221,092	\$ —	\$ —	\$ 329,009
Gary A. Merriman	\$ 105,417	\$ 190,781	\$ —	\$ —	\$ 296,198
Robert G. Raynolds	\$ 85,417 ⁽⁴⁾	\$ 190,781	\$ —	\$ —	\$ 276,198
Stephen P. Smiley ⁽⁵⁾	\$ 68,587	\$ 241,726	\$ —	\$ —	\$ 310,313
Robert C. Stone, Jr.	\$ 101,042	\$ 190,781	\$ —	\$ —	\$ 291,823
Christopher A. Viggiano	\$ 97,917	\$ 190,781	\$ —	\$ —	\$ 288,698

- (1) Represents the grant date fair value of awards granted during the indicated year, as determined in accordance with ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Please see the discussion of the assumptions made in the valuation of these awards in "Note 9—Stockholder's Equity" to the audited consolidated financial statements included in the annual report accompanying this proxy statement. Generally, the full grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. These amounts reflect our accounting expense, and do not correspond to the actual value that will be recognized by our directors.
- (2) Represents the numerical sum of the dollar amounts reflected in each other column for each director.
- (3) Mr. Bridwell resigned from our board of directors effective December 9, 2010.
- (4) Prior to each calendar quarter, in lieu of cash fees for the quarter, directors may elect to receive shares of common stock having a value equal to the amount of such fees, calculated on the basis of the closing price of shares of our common stock on the NYSE on the last day of such quarter. Messrs. Bridwell and Raynolds elected to receive substantially all of their board fees in shares of common stock. The total number of shares received by Messrs. Bridwell and Raynolds in 2010 in lieu of fees was 3,717 shares and 4,809 shares, respectively.
- (5) Mr. Smiley joined our board of directors on April 5, 2010.

The aggregate number of restricted stock awards subject to vesting, excluding shares received in lieu of fees, made to each of our directors for service as a director during 2010 was as follows:

<u>Award Stock</u>	<u>Christmas</u>	<u>Bridwell</u>	<u>Fuller</u>	<u>Irish</u>	<u>Merriman</u>	<u>Raynolds</u>	<u>Smiley</u>	<u>Stone Jr.</u>	<u>Viggiano</u>
Awards	16,000	10,700	10,700	12,400	10,700	10,700	13,000	10,700	10,700

Discussion of Director Compensation Table

Employee directors receive no additional compensation for service on our board of directors or any committee of the board of directors. All directors receive actual expense reimbursements associated with attending board and committee meetings. Our non-employee directors each receive \$80,000 in cash per year (payable on a quarterly basis in the amount of \$20,000). The chairman of our audit

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committee receives an additional \$30,000 per year (payable on a quarterly basis in the amount of \$7,500), and each member of our audit committee (other than the chairman) receives an additional \$10,000 per year (payable on a quarterly basis in the amount of \$2,500). Additional annual compensation for each committee chairperson and committee member for all of the committees of our board of directors is set forth below:

<u>Board Committee</u>	<u>Committee Chairperson Additional Compensation</u>	<u>Committee Member (excluding Chairperson) Additional Compensation</u>
Audit	\$ 30,000	\$ 10,000
Compensation	\$ 20,000	\$ 10,000
Nominating and Corporate Governance	\$ 10,000	\$ 7,500
Reserves	\$ 10,000	\$ 7,500

Fees are paid in four equal quarterly installments and board members may elect to take all or a portion of the cash compensation we pay to them in shares of our common stock, with the number of shares determined by dividing such fees by the trading price per share of our common stock on the last day of each calendar quarter. Any such election must be made prior to the beginning of the quarter for which the compensation is to be paid and is irrevocable for that quarter.

2004 Non-Employee Director Incentive Plan

In July 2004 the Company adopted the 2004 Non-Employee Director Incentive Plan covering 200,000 shares. The plan provides for the grant of both stock options and restricted shares of the Company's stock. This plan was designed to attract and retain the services of directors. On each of July 12, 2006 and June 18, 2009, the Company and its stockholders approved amendments to the Company's 2004 Non-Employee Director Incentive Plan to increase the total number of shares available for issuance thereunder to 1,100,000. The current total number of shares available for issuance under the 2004 Non-Employee Director Incentive Plan is approximately 593,200 shares. At December 31, 2010, all non-employee director grants had been fully vested and 593,200 shares were available for issuance pursuant to future awards that may be granted under the plan.

Under the 2004 Non-Employee Director Incentive Plan, within 60 days after a person becomes a non-employee director, we grant such director the number shares of our restricted common stock the value of which equals \$50,000. In addition, effective on the date of the Company's Annual Meeting of Stockholders, we grant to each director the number shares of our restricted common stock the value of which equals \$190,000, and we grant to the Vice Chairman an additional number of shares of our restricted common stock the value of which equals \$95,000 and we grant to the Lead Director an additional number of shares of our restricted common stock the value of which equals \$31,000. For the purposes of determining the value of the shares of restricted stock to be issued, the closing price of the Company's common stock as reported on the date of grant is used, and in calculating the number of shares of restricted stock to be issued, the number of shares is rounded up to the nearest 100 shares.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Merriman and Viggiano served on the compensation committee of our board of directors throughout 2010. Mr. Fuller served on the compensation committee from January 1, 2010 through April 29, 2010, when Mr. Fuller stepped down from the committee and Messrs. Stone and Bridwell joined the committee to serve through the remainder of 2010. Mr. Bridwell's service on the compensation committee ended on December 9, 2010 when he resigned from our board of directors. No member of the compensation committee during 2010 served as one of our officers or employees or of any of our subsidiaries during that year. In addition, during 2010, none of our executive officers served

as a director or as a member of the compensation committee of a company which employs any of our directors.

COMPENSATION COMMITTEE REPORT

We have reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management as required by Item 402(b) of Regulation S-K. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

MEMBERS OF THE
COMMITTEE:

Gary A. Merriman (Chairman)
Robert C. Stone, Jr.
Christopher A. Viggiano

(The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed to be filed or incorporated by reference into any other filing of Petrohawk under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Petrohawk specifically incorporates the Report by reference therein.)

ACCOUNTANTS AND AUDIT COMMITTEE

Audit Committee Report

Dear Stockholder:

The Audit Committee has reviewed and discussed with management of Petrohawk and Deloitte & Touche LLP ("Deloitte"), the firm serving as the independent registered public accountants of Petrohawk, the audited financial statements of Petrohawk as of, and for the fiscal year ended, December 31, 2010 (the "Audited Financial Statements"). In addition, we have discussed with Deloitte the matters required to be discussed by the statement on Auditing Standard No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee also has received the written disclosures and the letter from Deloitte required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and the Committee has discussed with that firm its independence from Petrohawk. Upon such review, the Audit Committee has concluded that the independent registered public accountants are independent from Petrohawk and its management. We have also discussed with management of Petrohawk and Deloitte such other matters and received such assurances from them as we deemed appropriate.

Management is responsible for Petrohawk's internal controls and the financial reporting process. Deloitte is responsible for performing an independent audit of Petrohawk's financial statements and of its internal control over financial reporting in accordance with generally accepted auditing standards and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

Based on the foregoing monitoring and oversight process, discussions with management and a review of the report of Deloitte with respect to the Audited Financial Statements, and relying thereon, the Committee has recommended to the Board the inclusion of the Audited Financial Statements in Petrohawk's Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

The Audit Committee has considered the requirements of the Sarbanes-Oxley Act of 2002 with respect to the responsibilities of audit committees of public companies. The Audit Committee and the Board of Petrohawk are committed to compliance with all provisions of that statute and related regulations. Actions will be taken by the Audit Committee and the Board as statutory and regulatory provisions become effective for Petrohawk and for audit committees and independent registered public accountants generally.

MEMBERS OF THE COMMITTEE:

James L. Irish III (Chairman)
James W. Christmas
Stephen P. Smiley
Christopher A. Viggiano

(The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of Petrohawk under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Petrohawk specifically incorporates the Report by reference therein.)

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Independent Registered Public Accounting Firm

Deloitte is the independent registered public accounting firm selected by our audit committee as the independent registered public accountants for the fiscal year ended December 31, 2010. Our audit committee has also appointed Deloitte as the independent registered public accountants for the fiscal year ended December 31, 2011, and is proposing ratification of such appointment to our stockholders.

Attendance at the Annual Meeting by Deloitte & Touche LLP Representative

A representative of Deloitte is expected to be present at the annual meeting of the stockholders. Deloitte will have the opportunity to make a statement if it desires to do so, and the Deloitte representative is expected to be available to respond to appropriate questions.

Fees

The following table presents fees billed for professional audit services rendered by Deloitte, our principal accounting firm, for the audit of our annual financial statements for the years ended December 31, 2010 and December 31, 2009, and fees for other services rendered by Deloitte during those periods. Except as set forth below, we paid all such fees.

	2010	2009
Audit Fees	\$ 1,928,898	\$ 1,518,509
Audit-Related Fees	401,955	350,734
Tax Fees	20,306	110,422
All Other Fees	—	—
Total	<u>\$ 2,351,159</u>	<u>\$ 1,979,665</u>

As used above, the following terms have the meanings set forth below:

Audit Fees. The fees for professional services rendered by Deloitte for the audit of our annual financial statements, for the review of the financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided by the accountants in connection with statutory and regulatory filings or engagements and private placements, including but not limited to registration statements on Forms S-3, S-4 and S-8, for the years ended December 31, 2010 and December 31, 2009.

Audit-Related Fees. The fees for assurance and related services by Deloitte that are reasonably related to the performance of the audit or review of our financial statements and are not otherwise reported under "Audit Fees". We engaged Deloitte for the following professional services that would be considered audit-related services for the year ended December 31, 2010: services related to the audits prepared specifically for a subsidiary. We engaged Deloitte for the following professional services that would be considered audit-related services for the year ended December 31, 2009: services relating to the audit of our 401(k) plan for the fiscal year 2008; and services related to the audits prepared specifically for a subsidiary.

Tax Fees. The fees for professional services rendered by Deloitte for tax compliance, tax advice, and tax planning.

All Other Fees. The fees for products and services provided by Deloitte, other than for the services reported under the headings "Audit Fees," "Audit-Related Fees" and "Tax Fees," for the period in question. We did not engage Deloitte for any additional professional services other than as disclosed above for the years ended December 31, 2010 and December 31, 2009.

Audit Committee Pre-Approval Policy

All audit fees, audit-related fees and tax fees as described above for the years ended December 31, 2010 and December 31, 2009, as applicable, were pre-approved by our audit committee, which concluded that the provision of such services by Deloitte was compatible with the maintenance of Deloitte's independence in the conduct of its auditing functions. Our audit committee's pre-approval policy provides that pre-approval of all such services must be approved separately by the audit committee. The audit committee has not delegated any such pre-approval authority to anyone outside the audit committee. Each member of the audit committee has the authority to pre-approve non-audit services up to \$50,000 to be performed by our independent registered public accountants.

PROPOSALS FOR CONSIDERATION AT THE ANNUAL MEETING OF STOCKHOLDERS

PROPOSAL 1—ELECTION OF DIRECTORS

Our bylaws specify that we shall not have less than one nor more than eleven directors, and each director holds office until the annual stockholders' meeting at which such director's class is up for re-election and until the director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. As of the date of this proxy statement, our board of directors consists of nine directors, eight of whom have been determined to be independent directors as set forth in the corporate governance rules of the NYSE codified in Section 303A of the NYSE Listed Company Manual. Our certificate of incorporation provides that our board of directors is classified into three classes: Class I, Class II and Class III, each class being elected for a three-year term of office. As discussed more fully under "Our Board of Directors and Its Committees" in this proxy statement above, three of our current directors—Messrs. Wilson, Merriman and Stone—have been nominated for reelection at the 2011 annual meeting of our stockholders.

If any nominee should for any reason become unable to serve prior to the date of the annual meeting, the shares represented by all valid proxies will be voted for the election of such other person as the board may designate as a replacement following recommendation by the nominating and corporate governance committee, or the board may reduce the number of directors to eliminate the vacancy.

Additional information regarding Messrs. Wilson, Merriman and Stone and all of our other directors can be found under the "Our Board of Directors and Its Committees" section, the "Security Ownership of Directors and Executive Officers" section, and the "Director Compensation" section of this proxy statement.

Votes Required

Directors are elected by a plurality vote of the shares present in person or represented by proxy at the annual meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected for that slot. Any shares not voted (whether by withholding the vote, broker non-vote or otherwise) have no impact in the election of directors, except to the extent the failure to vote for an individual results in another candidate receiving a larger number of votes. If you sign your proxy card but do not give instructions with respect to the voting of directors, your shares will be voted for Messrs. Wilson, Merriman and Stone. However, if you hold your shares in street name and do not instruct your broker how to vote in the election of directors, your shares will constitute a broker non-vote and will not be voted for any of the nominees. See the section of this proxy statement entitled "General Information—Voting and Revocation of Proxies."

The board of directors unanimously proposes and recommends that you vote "FOR" each of the nominees for the board of directors.

PROPOSAL 2—ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the SEC's compensation disclosure rules.

As described in detail under the heading "Compensation Discussion and Analysis," we operate in a highly competitive environment and must attract, motivate and retain experienced and qualified personnel to be successful. We use a competitive mix of fixed and at-risk compensation directly related to stockholder value and our overall performance to achieve our goals and to align the interests of senior management and key employees to those of our stockholders. While we generally target total compensation for our management at approximately the top quartile of our compensation peer group, we utilize a greater percentage, on average, of "at-risk" compensation than our compensation peer group. At-risk compensation includes annual cash incentives, the payment of which depends upon our compensation committee's annual assessment of management performance, and long-term equity incentives. Generally, long-term equity incentives comprise more than 50% of the value of the total compensation paid to our senior management and, of this, approximately 50% has been in the form of stock options with an exercise price equal to the trading price of our common stock on the date of grant, representing a significantly higher percentage of stock options, on average, than has been utilized by our compensation peer group. Stock options become valuable only if our common stock price increases above the option exercise price. Additionally, each equity award that we issue generally vests over a minimum period of three years. Accordingly, these awards are subject to both the risk of fluctuations in the trading price of our common stock and the risk of forfeiture if vesting requirements are not satisfied. We believe that our compensation program helps us achieve our goals and aligns the interests of senior management with those of our stockholders by combining competitive compensation with the opportunity for greater rewards for exceptional performance.

Our performance relative to specified metrics for 2010, including year over year increases in production of 34%, in proved reserves of 23%, and in proved developed reserves of 31%, despite divestitures totaling approximately 500 Bcfe of proved reserves and 150 Mmcfe/d of production during the year, as well as a year over year decrease in lease operating expenses per Mcfe of 40%, were significant factors in annual cash and long-term incentive compensation for 2010 and 2011. Other factors included the effectiveness of our management in expanding our core resource-style acreage position, overseeing a successful drilling program, divesting approximately \$2.1 billion in non-core assets and managing our liquidity position in a challenging environment.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in this proxy statement in accordance with the SEC's compensation disclosure rules. The vote is advisory, which means that the vote is not binding on us, our board of directors or our compensation committee. To the extent there is any significant vote against our named executive officer compensation as disclosed in this proxy statement, our compensation committee will evaluate whether any actions are necessary to address the concerns of stockholders.

This proposal will be approved on an advisory basis if it receives the affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy. As noted earlier in this proxy statement, broker non-votes will not affect the outcome of this proposal, and abstentions will be equivalent to a vote against this proposal. If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote FOR the proposal.

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Accordingly, we ask our stockholders to vote on the following resolution at the 2011 annual meeting of stockholders:

"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2010 Summary Compensation Table and the other related tables and disclosure."

The board of directors unanimously proposes and recommends that you vote "FOR" the approval of the compensation of our named executive officers, as disclosed in this proxy statement.

PROPOSAL 3—ADVISORY VOTE ON FREQUENCY OF EXECUTIVE COMPENSATION VOTE

The Dodd-Frank Wall Street Reform and Consumer Protection Act also provides that stockholders must be given the opportunity to vote, on a non-binding, advisory basis, for their preference as to how frequently we should seek future advisory votes on the compensation of our named executive officers as disclosed in accordance with the SEC's compensation disclosure rules, which we refer to as an advisory vote on executive compensation. By voting with respect to this Proposal 3, stockholders may indicate whether they would prefer that we conduct future advisory votes on executive compensation once every one, two, or three years. Stockholders also may, if they wish, abstain from casting a vote on this proposal.

Our board of directors has determined that an annual advisory vote on executive compensation will establish a routine procedure to allow our stockholders to provide direct input on our executive compensation philosophy, policies and practices. Although we believe our compensation program and philosophy is straightforward and does not materially change from year to year, the board believes that an annual vote is consistent with institutional stockholder and advisory firm recommendations.

This vote is advisory and not binding on us or our board in any way. Our board and our compensation committee will take into account the outcome of the vote, however, when considering the frequency of future advisory votes on executive compensation. The board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on executive compensation more or less frequently than the frequency receiving the most votes cast by our stockholders.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the recommendation of the board of directors.

The advisory vote regarding frequency of a stockholder advisory vote on executive compensation will be determined by whichever of the choices—annually, every other year or every three years—receives the greatest number of votes cast. Shares represented by proxies that are marked to indicate abstentions from this proposal and broker non-votes with respect to this proposal will not affect its outcome. If no voting specification is made on a properly returned or voted proxy card, the proxies named on the proxy card will vote FOR a frequency of every ONE YEAR for future advisory votes regarding executive compensation.

The board of directors unanimously proposes and recommends that you vote for the option of every "ONE YEAR" as the preferred frequency for advisory votes on executive compensation.

**PROPOSAL 4—APPROVAL OF AMENDMENTS TO OUR THIRD AMENDED AND RESTATED
2004 EMPLOYEE INCENTIVE PLAN**

We are requesting that our stockholders vote in favor of approving certain amendments to our Third Amended and Restated 2004 Employee Incentive Plan (the "Plan"), which will be thereafter referred to as our Fourth Amended and Restated 2004 Employee Incentive Plan, or the "amended Plan". The principal amendments to the Plan include:

- an increase in the aggregate number of shares of the Company's common stock available for issuance under the Plan from 17,850,000 to 28,850,000 (an increase of 11,000,000 shares),
- adoption of a flexible share counting ratio that will reduce the shares available under the Plan by one share for each share issued pursuant to a stock option or stock appreciation right and by 1.75 shares for each share issued under a "full value award" granted subsequent to May 18, 2011. Full value awards include all awards, other than stock options and stock appreciation rights, to the extent settled in common stock ("Full Value Awards").
- an increase in the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year from 200,000 shares to 500,000 shares and an increase in the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year from 100,000 shares to 500,000 shares;
- extension of the duration of the Plan from 2014 to 2021;
- expanding the types of awards that may be granted under the Plan by adding "restricted stock units" and "performance awards"; and
- various revisions intended to clarify certain provisions of the Plan, none of which materially impact the functioning of the Plan and all of which are marked in the amended version of the Plan attached below.

The Plan was originally approved by our stockholders in July 2004. Our stockholders subsequently approved a series of amendments to the Plan that increased the aggregate number of shares of common stock that may be issued under the Plan to 17,850,000 shares, with the number of shares of incentive stock and restricted stock issuable thereunder being limited to 8,178,841 shares. Currently, the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year is 200,000 shares and the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year is 100,000 shares. We believe that it is in our company's and our stockholders' best interests to amend the Plan to increase the aggregate number of shares of common stock that may be issued under the Plan by 11,000,000 shares and to eliminate the aggregate limit on the number of such shares that may be issued as restricted stock and in lieu thereof to adopt a flexible share counting ratio that will reduce the shares available for awards under the Plan by 1.75 shares for each share issued in a Full Value Award. Furthermore, we believe that it is in our company's and our stockholders' best interests to increase in the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an individual during any calendar year to 500,000 shares and an increase in the maximum number of shares of restricted stock that may be granted to an individual under the Plan during any calendar year to 500,000 shares.

Currently, the Plan provides only for awards of restricted stock, incentive stock (stock issued without a restriction period), stock options and stock appreciation rights. We believe it is in our company's and our stockholders' best interests to amend the plan so that restricted stock units and performance awards may be made under the amended Plan, although we have no current plans to issue such awards.

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A restricted stock unit represents the right to receive shares of common stock, cash or a combination of both at the end of a specified period. Upon the lapse of restrictions with respect to a restricted stock unit, the participant is entitled to receive a share of common stock or an amount of cash equal to the fair market value of a share of common stock, as provided in the award agreement. Under the amended Plan, the Company may grant a tandem cash dividend right, which would entitle the participant to a cash dividend to be paid directly at the time of payment of dividends on outstanding shares of common stock, be credited to a bookkeeping account subject to the same vesting and payment provisions as the related restricted stock unit (with or without interest, in the discretion of the Company), or be subject to such other provisions or restrictions as determined by the Company. Tandem cash dividend rights are not available for stock options, stock appreciation rights or performance awards under the amended Plan. Restricted stock units would provide us with the flexibility to issue awards functionally similar to awards of restricted stock but without having to issue the shares of common stock until such time as the restrictions lapse.

Performance awards represent the right to cash, shares of common stock or a combination of both, conditioned upon the achievement of one or more stated performance goals over a specified performance period not shorter than one year. Performance awards would provide our compensation committee with the flexibility to issue cash and stock awards that satisfy the requirements for "performance-based compensation" under Section 162(m) of the Internal Revenue Code, although the committee may elect to issue performance awards that do not satisfy such requirements.

The compensation committee will have broad authority to determine the performance criteria for any performance award. Performance criteria may be company-wide or related to a subsidiary, division, region, function or business unit and may include one or more or any combination of the following: earnings or earnings per share (whether on a pre-tax, after-tax, operational or other basis), return on equity, return on assets or net assets, return on capital or invested capital and other related financial measures, cash flow or EBITDA or EBITDAX, revenues, income or operating income, expenses or costs or expense levels or cost levels (absolute or per unit), one or more operating ratios, stock price, total stockholder return, operating profit, profit margin, capital expenditures, net borrowing, debt leverage levels, credit quality or debt ratings, the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions, net asset value per share, economic value added, individual business objectives, growth in production, growth in reserves, reserve replacement ratio, finding and development cost per unit, and/or strategic business objectives. Each performance criteria may be made relative to the performance of other business entities and may be appropriately adjusted for certain events occurring during a performance period. The maximum amount that may be paid in cash pursuant to a performance award to a recipient with respect to a fiscal year will be \$5,000,000 and the maximum number of shares of common stock that may be subject to a performance award granted to a Participant with respect to a fiscal year is 500,000 shares.

The amendments to the Plan are being proposed because our compensation committee and our board believe that these amendments will provide needed flexibility to award incentives to our employees that contribute to our company's continued success, provide our employees with ownership interest in our company, maintain competitive compensation levels, attract and retain talented employees, provide incentives for continued service and, thereby, promote our long-term growth and profitability by aligning the interests of our employees with stockholders.

As of March 31, 2011 and if approved by stockholders, the proposed amendment to the Plan will make available stock options, stock appreciation rights, restricted stock, incentive stock and performance awards to our management and employees representing, in the aggregate, up to approximately 13,142,046 shares, or 4.33%, of our outstanding common stock (subject to reduction by 1.75 shares for shares issued under full value awards). All our employees are eligible to receive awards and grants under the Plan. **A summary of the essential features of the Plan is provided below, but is**

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qualified in its entirety by reference to the full text of the amended Plan, a copy of which is included below and is marked to reflect all changes from the current Plan.

Votes Required

The affirmative vote of the majority of the shares present in person or represented by proxy at the annual meeting and voting on the proposal is required for the ratification and approval of the amendment of the Plan.

The board of directors unanimously proposes and recommends that you vote "FOR" the amendment of the Third Amended and Restated 2004 Employee Incentive Plan.

Material Terms

Maximum Number of Shares Issuable; Adjustment. Upon effectuation of the proposed amendments to the Plan, the maximum number of shares that may be subject to stock options and stock appreciation rights granted under the Plan to an employee during any calendar year will be limited to 500,000 shares (subject to adjustment in the event of a recapitalization or other corporate action affecting the number of shares outstanding), and the maximum number of shares of incentive stock, restricted stock, restricted stock units and performance awards that may be issued to an employee during any calendar year will also be limited to 500,000 shares (subject to adjustment in the event of a recapitalization or other corporate action affecting the number of shares outstanding). The shares with respect to which stock options, stock appreciation rights, incentive stock, restricted stock, restricted stock units and performance awards may be granted are shares of common stock as presently constituted. Stock options, restricted stock units, stock appreciation rights and performance awards have a maximum term of ten (10) years from the date of grant. Stock options have a per share exercise price, and stock appreciation rights have a grant date value, not less than the fair market value of a share of common stock on the date of grant. The exercise of a stock option or stock appreciation right reduces the number of shares available under the Plan by (i) the number of shares as to which the stock option or stock appreciation right is exercised, (ii) shares that were not issued or delivered as a result of the net settlement of the stock option or stock appreciation right, (iii) shares surrendered to pay the exercise price or withholding taxes related to any outstanding award under the Plan, and (iv) shares repurchased on the open market with proceeds from the exercise of a stock option.

The Plan provides that if we recapitalize, reclassify our capital stock, or otherwise change our capital structure (a "recapitalization"), the number and class of shares of stock covered by a stock option, stock appreciation right or performance award theretofore granted shall be adjusted so that such award shall thereafter cover the number and class of shares of stock and securities to which the grantee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the grantee had been the holder of record of the number of shares of stock then covered by such award. Except in connection with a recapitalization (including, without limitation, a stock dividend, stock split, extraordinary cash dividend, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding awards may not be amended to reduce the exercise price of outstanding stock options or stock appreciation rights or cancel outstanding stock options or stock appreciation rights in exchange for any combination of cash and other awards or stock options or stock appreciation rights with an exercise price that is less than the exercise price of the original stock options or stock appreciation rights without stockholder approval.

Corporate Change. The proposed amendments to the Plan provide that, upon the consummation of a corporate change, our compensation committee may accelerate the vesting of stock options and stock appreciation rights; remove restrictions on restricted stock and restricted stock units; cancel stock options, stock appreciation rights, restricted stock, restricted stock units and performance awards, and make payments in respect thereof in cash; adjust the outstanding options, stock appreciation rights

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restricted stock, restricted stock units and performance awards as appropriate to reflect such corporate change; or provide that each option, stock appreciation right, restricted stock, restricted stock units and performance awards shall thereafter cover the number and class of securities or property to which the grantee would have been entitled pursuant to the terms of the documents governing such corporate change if the grantee had been the holder of record of the number of shares covered by the award immediately prior to such corporate change. The Plan provides that a "corporate change" occurs (a) if Petrohawk is to be dissolved and liquidated, (b) if Petrohawk is not the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly owned subsidiary of Petrohawk), (c) if Petrohawk sells, leases, or exchanges all or substantially all of its assets, (d) if any person, entity or group acquires or gains ownership or control of more than 50% of Petrohawk's outstanding shares of voting stock, or (e) if after a contested election of directors, the persons who were directors before such election cease to constitute a majority of the board.

Amendment or Termination of the Plan. Our board of directors may terminate the Plan with respect to any shares for which awards have not theretofore been granted. The board may amend the Plan; however, it may not amend the Plan without stockholder approval if the amendment: (i) would materially increase the benefits accruing to participants under the Plan, (ii) increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan, (iii) change the class of individuals eligible to receive awards under the Plan, or (iv) extend the term of the Plan.

Administration of the Plan. Pursuant to the provisions of the Plan, our board of directors has appointed the compensation committee to administer the Plan. Our compensation committee currently consists of Messrs. Merriman, Stone and Viggiano. The compensation committee has the sole authority to select the participants from among those individuals eligible under the Plan and to establish the number of shares of restricted stock and/or incentive stock which may be granted and shares which may be subject to each stock option, stock appreciation right, restricted stock unit, and performance award, subject to the limitations set forth in the Plan.

Type of Grants Under the Plan. Our compensation committee may grant to our employees incentive stock, restricted stock, restricted stock units, stock appreciation rights, performance awards and options to purchase shares of our common stock. The compensation committee has the power to determine the terms upon which awards will be granted, including the number of shares of restricted stock and incentive stock to issue, the restrictions applicable to such shares, if any, including vesting requirements, the number of shares of common stock or the amount of cash subject to restricted stock units and performance awards and the performance criteria to be satisfied, and, with respect to stock options and stock appreciation rights, the number of shares of common stock subject to each option or stock appreciation right, the exercisability and vesting requirements of each stock option or stock appreciation right, and the form of consideration payable upon the exercise of such stock option (i.e., whether cash or exchange of existing shares of our common stock in a cashless transaction or a combination thereof). The form of consideration payable upon the exercise of a stock appreciation right is shares of our common stock. The option price of shares of common stock issued under each stock option or stock appreciation right is equal to the fair market value of shares subject to the stock option or stock appreciation right on the date the stock option and each stock appreciation right is granted. Stock options granted under the Plan may be incentive stock options or non-statutory stock options.

Eligibility of Participants, Term and Transferability. Awards may be granted under the Plan only to individuals who are employees of Petrohawk or its parent or subsidiary corporation at the time of grant. No incentive stock option is granted to an employee who owns or who would own immediately before the grant of such incentive stock option more than 10% of the total combined voting power of all classes of our stock or our parent or subsidiary corporation, unless (i) at the time such stock option

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is granted the option price is 110% of the fair market value of the shares granted on the date of the grant and (ii) such stock option by its terms is not exercisable after the expiration of five years from the date of grant. The term of each stock option granted to other employees may not be more than ten years from the date of the grant. To the extent that the aggregate fair market value (determined at the time the respective incentive stock option is granted) of shares with respect to which incentive stock options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of Petrohawk and its parent and subsidiary corporations exceeds \$100,000, such excess incentive stock options are to be treated as non-statutory stock options. Awards granted under the Plan are not to be transferable other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order; provided, however, only with respect to non-statutory stock options and stock appreciation rights, the compensation committee may, in its discretion, authorize all or a portion of the options or stock appreciation rights to be granted on terms which permit transfer by the optionee to (i) the members of the optionee's immediate family, (ii) a trust or trusts for the exclusive benefit of such immediate family, or (iii) a partnership in which such members of such immediate family are the only partners, provided that there may be no consideration for any such transfer. The Plan further provides that following any permitted transfer, the option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Restricted stock, incentive stock and the shares of common stock transferred to an optionee as a result of the exercise of an option or the vesting of a restricted stock unit or the satisfaction of performance criteria under a performance award are considered "restricted securities" under Rule 144 as promulgated under the Securities Act of 1933, as amended (the "1933 Act"), and may only be resold or transferred in compliance with such rule and the registration requirements or an exemption from such requirements under the 1933 Act. Pursuant to the proposed amendments, the Plan shall terminate and no further restricted stock, incentive stock, stock appreciation rights or stock options shall be issued under the Plan after May 18, 2021.

Awards Outstanding. As of March 31, 2011, options representing approximately 8,335,218 shares of common stock, stock appreciation rights representing approximately 569,171 shares of common stock, and 2,204,943 shares of restricted stock are outstanding under the Plan.

Outstanding Equity Awards Under All Stock Plans:

The following tables represent outstanding equity awards under all equity plans as of March 31, 2011, including the KCS Plans and the Mission Plans. We do not issue new awards under the KCS Plans or the Mission Plans.

	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (#)	Weighted- Average Exercise Price of Outstanding Options and Rights	Average Remaining Contractual Life (Years)
Stock Options	9,202,456	\$ 16.33	7.43
Stock Appreciation Rights	793,105	\$ 11.64	5.93
Total:	9,995,561	\$ 15.95	7.31

	Number of Securities to be Issued Upon Vesting (#)
Restricted Stock	2,204,943

As of March 31, 2011 a total of 2,142,046 shares were available for future issuance under the Plan and 593,200 shares were available for future issuance under our 2004 Non-Employee Director Incentive Plan.

U.S. Federal Income Tax Consequences

The following is a brief summary of certain of the U.S. federal income tax consequences of certain awards under the Plan as normally operated and is not intended to provide or supplement tax advice to eligible employees. The summary contains general statements based on current U.S. federal income tax statutes, regulations and currently available interpretations thereof. This summary is not intended to be exhaustive and does not describe state, local or foreign tax consequences or the effect, if any, of gift, estate and inheritance taxes.

Incentive Stock Options. Incentive stock options are subject to special federal income tax treatment. No federal income tax is imposed on the optionee upon the grant or the exercise of an incentive stock option. However, the excess of the fair market value of the shares on the date of exercise over the exercise price generally must be included in the optionee's alternative minimum taxable income for the year in which the exercise occurs.

The federal income tax consequences to the optionee from the sale of shares acquired from the exercise of an incentive stock option are complex. If the optionee realizes a gain on the sale, the character of the gain depends on both the length of time from the date of grant of the incentive stock option to the date of sale and the length of time from the date of exercise of the incentive stock option to the date of sale. If the optionee holds the shares acquired pursuant to the exercise of an incentive stock option for the two-year period beginning on the date that the option was granted and the one-year period beginning on the date that the option was exercised (collectively, the "holding period"), any appreciation of the shares above the exercise price should constitute capital gain and the employer would not be entitled to any deduction for federal income tax purposes in connection with the exercise of the option or the disposition of the option shares. On the other hand, if an optionee disposes of shares acquired pursuant to the exercise of an incentive stock option before the end of the holding period (a "disqualifying disposition"), the optionee will be treated as having received, at the time of disposition, compensation taxable as ordinary income. In that event, and subject to the application of Section 162(m) of the Code as discussed below, the employer may claim a deduction for compensation paid at the same time and in the same amount as compensation is treated as received by the optionee. The amount treated as compensation is the excess of the fair market value of the shares at the time of exercise over the exercise price; any amount realized in excess of the fair market value of the shares at the time of exercise would be treated as short-term or long-term capital gain, depending on the holding period of the shares. Finally, if the price received by the optionee in a disqualifying disposition is less than the fair market value of the stock on the exercise date and the disposition is a transaction in which a loss, if sustained, would otherwise be recognized, then the amount of ordinary income the optionee would recognize is the excess, if any, of the amount realized on the sale over the adjusted basis of the shares.

Non-Statutory Stock Options and Stock Appreciation Rights. As a general rule, no federal income tax is imposed on the holder upon the grant of a non-statutory stock option or stock appreciation right, and the employer is not entitled to a tax deduction by reason of the grant. Generally, upon the exercise of a non-statutory stock option, the holder will be treated as receiving compensation taxable as ordinary income in the year of exercise in an amount equal to the excess of the fair market value of the shares at the time of exercise over the exercise price paid for the shares. In the case of the exercise of a stock appreciation right, the holder will be treated as receiving compensation taxable as ordinary income in the year of exercise in an amount equal to the cash received and the fair market value of any shares distributed to the holder. Upon the exercise of a non-statutory stock option or a stock appreciation right, and subject to the application of Section 162(m) of the Code as discussed below, the employer may claim a deduction for compensation paid at the same time and in the same amount as compensation income is recognized by the holder assuming any federal income tax reporting requirements are satisfied. Upon a subsequent disposition of the shares received upon exercise of a non-statutory stock option or a stock appreciation right, any

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difference between the fair market value of the shares at the time of exercise and the amount realized on the disposition would be treated as capital gain or loss. If the shares received upon the exercise of a non-statutory stock option or a stock appreciation right are transferred to the holder subject to restrictions, then the taxable income realized by the holder, unless the holder elects otherwise, and the employer's tax deduction (assuming any federal income tax reporting requirements are satisfied) would be deferred and measured with reference to the fair market value of the shares at the time the restrictions lapse. The restrictions imposed on officers, directors and 10% stockholders by Section 16(b) of the 1934 Act is such a restriction during the period prescribed thereby if the exercise and any subsequent disposition could result in liability under Section 16(b).

Restricted Stock Awards. The holder of a restricted stock award will not realize taxable income at the time of grant, and the employer will not be entitled to a deduction at that time, assuming that the restrictions applicable to the shares constitute a substantial risk of forfeiture for federal income tax purposes. When the risk of forfeiture related to the shares lapses, the holder will realize ordinary income in an amount equal to the fair market value of the shares at such time, and, subject to Section 162(m) of the Code, the employer will be entitled to a corresponding deduction. All dividends and distributions (or the cash equivalent thereof) with respect to restricted stock paid to the holder before the risk of forfeiture lapses will also be compensation income to the holder when paid and, subject to Section 162(m) of the Code, be deductible as such by the employer. Notwithstanding the foregoing, the holder of restricted stock may elect under Section 83(b) of the Code to be taxed at the time of grant of the restricted stock based on the fair market value of the shares on the date of the grant, in which case (i) subject to Section 162(m) of the Code, the employer will be entitled to a deduction at the same time and in the same amount, (ii) dividends paid to the holder during the period the forfeiture restrictions apply will be taxable as dividends and will not be deductible by the employer as compensation, and (iii) there will be no further federal income tax consequences when the risk of forfeiture lapses. An 83(b) election must be made not later than 30 days after the grant of the restricted stock and is generally irrevocable.

Restricted Stock Unit Awards. There will be no federal income tax consequences to either the holder or the employer upon the award of restricted stock units. Generally, the holder will recognize ordinary income subject to withholding upon the receipt of cash and/or the transfer of shares in satisfaction of the restricted stock units award in an amount equal to the aggregate of any cash received and the fair market value of any shares so transferred. Subject to Section 162(m) of the Code, the employer generally will be entitled to a corresponding tax deduction equal to the amount includible in the holder's income.

Performance Awards. There will be no federal income tax consequences to either the holder or the employer upon the grant of performance awards. Generally, the holder will recognize ordinary income subject to withholding upon the receipt of cash and/or the transfer of shares in satisfaction of the performance award in an amount equal to the aggregate of any cash received and the fair market value of any shares so transferred. If a performance award is "performance-based" compensation under Code Section 162(m), the employer will be entitled to a corresponding tax deduction equal to the amount includible in the holder's income. Otherwise, the employer's deduction may be limited by Code Section 162(m) as described below.

Additional Tax Consequences. Section 162(m) of the Code places a \$1 million cap on the deductible compensation that may be paid to certain executives of publicly-traded corporations. Amounts that qualify as "performance-based" compensation under Section 162(m) of the Code are exempt from the cap and do not count toward the \$1 million limit. Generally, options and stock appreciation rights granted with an exercise price at least equal to the fair market value of the shares on the date of grant will qualify as performance-based compensation. Other awards may or may not so qualify, depending on their terms. Also, Section 409A of the Code provides that deferrals of

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compensation under a nonqualified deferred compensation plan are currently includible in gross income to the extent not subject to a substantial risk of forfeiture and not previously included in gross income, unless certain requirements are met. It is intended that awards made under the Plan be structured to be exempt from or compliant with Section 409A of the Code.

To ensure compliance with Treasury Department Circular 230, participants are hereby notified that (i) any discussion of U.S. federal tax issues in this proxy statement is not intended to be written or used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code, and (ii) participants should seek advice based on their particular circumstances from an independent tax advisor.

Text of the Amended Plan

To effect the amendments to the Plan discussed above, it is proposed that the text of the Plan is amended as marked below:

PETROHAWK ENERGY CORPORATION **~~THIRD~~FOURTH AMENDED AND RESTATED** **2004 EMPLOYEE INCENTIVE PLAN**

This Petrohawk Energy Corporation ~~Third~~**Fourth** Amended and Restated 2004 Employee Incentive Plan (the "Plan") amends and restates the Petrohawk Energy Corporation ~~Second~~**Third** Amended and Restated 2004 Employee Incentive Plan, and gives effect to (i) ~~amendments effective May 2008 that provided for (a) a minimum of three year vesting for restricted stock awards; and (b) lapses, acceleration or waivers of the Restriction Period applicable to Restricted Stock Awards and Stock Appreciation Rights to be permitted only in the event of death, disability, retirement or Corporate Change; and~~ (ii) ~~amendments effective June 18, 2009 that (a) eliminated provisions relating to incentive stock (i.e., shares of common stock awarded without restrictions) that were contradictory in light of the amendment set forth in (i)(a) above; and (b) increased the number of shares of common stock subject to the Plan as approved by stockholders on June 18, 2009~~amendments effective through the effective date of this amended and restated Plan as described in Section VII.

I. Definitions and Purposes

(a) Definitions.

Whenever capitalized in this document, the following terms shall be defined as set forth below:

"Award" means an award in the form of Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Stock Options, or Performance Awards, whether granted singly or in combination.

"Award Agreement" means a written agreement between the Company and a Participant that sets forth the terms, conditions, restrictions and limitations applicable to an Award.

"Board" means the board of directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the committee of the Board which may be the Compensation Committee of the Board or such other committee as the Board shall appoint to administer the Plan, provided it shall be (a) comprised solely of two or more outside directors (within the meaning of Section 162(m) of the Code and the Treasury Regulations promulgated thereunder), and (b) constituted so as to permit the Plan to comply with Rule 16b-3.

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"**Common Stock**" means the common stock of the Company, \$.001 par value per share, and any class of common stock into which such common stock may hereafter be converted, reclassified or recapitalized.

"**Company**" means Petrohawk Energy Corporation or any successor thereto.

"**Corporate Change**" shall have the meaning set forth in Section VIII(c) below.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means for one Share on the date in question (i) the closing sale price for such Share as quoted on the New York Stock Exchange, Nasdaq National Market or Nasdaq Small Cap Market, as applicable ("NASDAQ"), or (ii) if not so quoted, the closing sales price as reported on the consolidated reporting system for the securities exchange(s) on which Shares are then listed or admitted to trading (as reported in the Wall Street Journal or other reputable source), or (iii) if not so reported, the average of the closing bid and asked prices for a Share on the date of grant as quoted by the National Quotation Bureau's "Pink Sheets" or the National Association of Securities Dealers' OTC Bulletin Board System. If there was no public trade of Common Stock on the date in question, Fair Market Value shall be determined by reference to the last preceding date on which such a trade was so reported. If the Company is not a Publicly Held Corporation at the time a determination of the Fair Market Value of the Common Stock is required to be made hereunder, the determination of Fair Market Value for purposes of the Plan shall be made by the Committee in its discretion exercised in good faith. In this respect, the Committee may rely on such financial data, valuations, experts, and other sources, in its discretion, as it deems advisable under the circumstances.

"**Grantee(s)**" means those certain employee or employees of the Company or its subsidiaries to whom the Company shall grant Restricted Stock ~~or, Restricted Stock Units, Stock Options,~~ Stock Appreciation ~~Right~~ Rights or Performance Awards.

"**Immediate Family**" means with respect to an Optionee, the Optionee's spouse, children or grandchildren (including legally adopted, step children and step grandchildren).

"**Incentive Stock Option**" means a Stock Option which is intended to qualify as an incentive stock option under Section 422 of the Code.

"**Non-Statutory Stock Option**" means a Stock Option that is not an Incentive Stock Option.

~~"**Option Agreement**" means an agreement between the Company and an Optionee whereby the Optionee receives Stock Options:~~ "**Optionee(s)**" means those certain employees of the Company or its subsidiaries to whom the Company shall grant Stock Options.

"**Option Price**" shall mean the amount an Optionee must pay the Company upon exercise of the Stock Option.

"**Participants**" shall mean Grantees and Optionees.

"**Performance Award**" means an award granted to a Grantee pursuant to Section III(f) to receive cash or Shares conditioned in whole or in part upon the satisfaction of specified performance criteria.

"**Publicly Held Corporation**" means an entity issuing any class of equity securities required to be registered under Section 12 of the Exchange Act.

"**Restricted Stock**" means Shares subject to specified restrictions that may be granted to eligible persons under Section III (b) below.

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"Restricted Stock Agreement" means an agreement between the Company and a Grantee whereby the Grantee receives shares of Restricted Stock. **Unit** means a right to receive Shares, cash or a combination of both at the end of a specified period granted to an eligible person under Section III(b) below.

"Restricted Stock Award" means an award of Restricted Stock granted to a Grantee.

"Restriction Period" means the period of time during which the Shares granted pursuant to ~~an Award of~~ Restricted Stock ~~Award or Restricted Stock Units~~ remain subject to the restrictions or vesting set forth in the applicable ~~Restricted Stock Award~~ Agreement; the Restriction Period shall not provide for vesting of greater than one-third ($\frac{1}{3}$) of the total grant upon each of the first three (3) anniversaries from the date of such grant; provided, however, that the foregoing shall not apply (i) to up to five percent (5%) of the number of shares available under the Plan, or (ii) accelerated vesting on account of the death or disability of a Participant, or (ii) to the acceleration of vesting upon a Corporate Change.

"Rule 16b-3" means Rule 16b-3, as currently in effect or as hereinafter modified or amended, promulgated under the Exchange Act.

"Share" or "Shares" means a share or shares of Common Stock.

"Stock Appreciation Right" means a contractual right granted to an eligible person under Section III(ed) below.

"SAR Agreement" means an agreement between the Company and a Grantee whereby the Grantee receives a Stock Appreciation Right.

"SAR Grant Value" shall have the meaning set forth in Article VI.

"Stock Option" means an Incentive Stock Option or a Non-Statutory Stock Option.

(b) Purposes.

This Plan is intended to foster and promote the long-term financial success of the Company and its subsidiaries and to increase stockholder value by: (a) encouraging the commitment of selected employees, (b) motivating superior performance of certain employees by means of long-term performance related incentives, (c) encouraging and providing certain employees with a program for obtaining ownership interests in the Company which link and align their personal interests to those of the Company's stockholders, (d) attracting and retaining certain employees by providing competitive incentive compensation opportunities, and (e) enabling certain employees to share in the long-term growth and success of the Company.

This Plan provides for payment of various forms of incentive compensation and it is not intended to be a plan that is subject to ERISA. The Plan shall be interpreted, construed and administered consistent with its status as a plan that is not subject to ERISA.

II. Administration

The Plan shall be administered by the Committee. The Committee shall have sole authority to select the Participants from among those individuals eligible hereunder and to establish the number of shares of Restricted Stock which may be granted and ~~s~~Shares which may be subject to each Stock Option and Stock Appreciation Right; provided, however, that, notwithstanding any provision in the Plan to the contrary, the maximum number of shares that may be subject to Stock Options and Stock Appreciation Rights granted under the Plan to an individual during any calendar year may not exceed 200,000 Shares (subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options and Stock Appreciation Rights then outstanding) and the maximum number of shares of Restricted Stock that may be granted to an individual under the Plan during any calendar year may not exceed 100,000 shares (subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options then outstanding). The limitation set forth in the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, without limitation, counting against such maximum number of shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any shares subject to Stock Options and Award of Restricted Stock Units, Stock Options, Stock Appreciation Rights that are canceled or repriced, and Performance Award. In selecting Participants from among individuals eligible hereunder and in establishing the number of shares of Restricted Stock that may be issued to each Grantee and the number of ~~s~~Shares that may be subject to each Award of Restricted Stock Option and Units, Stock Options, Stock Appreciation Rights, and Performance Award, the Committee may take into account the nature of the services rendered by such individuals, their present and potential contributions to the Company's success and such other factors as the Committee in its discretion shall deem relevant. The Committee is authorized to interpret the Plan and may from time to time adopt such rules and regulations, consistent with the provisions of the Plan, as it may deem advisable to carry out the Plan. All decisions made by the Committee in selecting the Participants, in establishing the number of shares of Restricted Stock which may be issued to each Grantee ~~and~~, the number of ~~s~~Shares which may be subject to each Award of Restricted Stock Option Units, Stock Options and Stock Appreciation Right Rights, and the amount payable or the number of Shares subject to a Performance Award and in construing the provisions of the Plan shall be final.

III. Types of Grants Under the Plan

(a) *Types of Grants.*

Pursuant to this Plan, the Company may grant ~~shares of~~ Restricted Stock, Restricted Stock Units, Stock Appreciation Rights ~~and~~, Stock Options, and Performance Awards. Stock Options granted under the Plan may be either Incentive Stock Options or Non-Statutory Stock Options.

(b) *Grants of Restricted Stock and Restricted Stock Units.*

Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Stock or Restricted Stock Units to any eligible person in such amounts and with such restrictions as the Committee shall determine, any of which restrictions may differ with respect to any Grantee. ~~Restricted Stock Awards of Restricted Stock or Restricted Stock Units~~ shall include a Restriction Period as determined by the Committee in accordance with the provisions of the Plan and subject to the limitations set forth in the definition of Restriction Period above. ★

With respect to Awards of Restricted Stock, a certificate or certificates representing the number of shares of Restricted Stock granted shall be registered in the name of the Grantee. Until the expiration of the Restriction Period or the lapse of restrictions in the manner provided in the Grantee's Restricted

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Stock Award Agreement, the certificate or certificates shall be held in escrow by the Company for the account of the Grantee. The Grantee shall have beneficial ownership of the shares of Restricted Stock, including the right to receive dividends and the right to vote the shares of Restricted Stock. Upon the lapse of all restrictions (as set forth in the Grantee's Restricted Stock Award Agreement) on any or all of the Restricted Stock granted to the Grantee, the certificate or certificates representing the shares of Restricted Stock for which the restrictions have lapsed shall be delivered to the Grantee.

With respect to Awards of Restricted Stock Units, upon the lapse of restrictions with respect to each Restricted Stock Unit, the Participant shall be entitled to receive one Share or an amount of cash equal to the Fair Market Value of one Share, as provided in the Award Agreement. The Committee may, in its sole discretion, grant a tandem cash dividend right with respect to Restricted Stock Units. A grant of cash dividend rights may provide that such cash dividend rights will be paid directly to the Participant at the time of payment of related dividends, be credited to a bookkeeping account subject to the same vesting and payment provisions as the tandem Award (with or without interest in the sole discretion of the Committee), or be subject to such other provisions or restrictions as determined by the Committee in its sole discretion.

Each Award of Restricted Stock or Restricted Stock Award Units shall be evidenced by a Restricted Stock Award Agreement which shall contain the Restriction Period, the number of ~~shares of Restricted Stock~~ Shares covered by the Award and such other terms and conditions as may be approved by the Committee, including other restrictions as the Committee may determine. The Committee may impose such conditions or restrictions on any Award of Restricted Stock or Restricted Stock Units as it may deem advisable, in its sole discretion.

(c) Grant of Stock Options.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Stock Options to any eligible person.

Each Stock Option shall be evidenced by an Option Award Agreement, which shall contain such terms and conditions as may be approved by the Committee. The terms and conditions of the respective Option Award Agreements need not be identical for each Optionee. The Option Price upon exercise of any Stock Option shall be payable to the Company in full either: (i) in cash or its equivalent, or (ii) subject to prior approval by the Committee in its discretion, by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price ~~(provided that the Shares which are tendered must have been held by the Optionee for at least six (6) months prior to their tender to satisfy the option price)~~, or (iii) subject to prior approval by the Committee, in its discretion, by withholding Shares which otherwise would be acquired on exercise having an aggregate Fair Market Value at the time of exercise equal to the total Option Price, or (iv) subject to prior approval by the Committee in its discretion, by a combination of (i), (ii), and (iii) above. Any payment in Shares shall be effected by the surrender of such Shares to the Company in good form for transfer and shall be valued at their Fair Market Value on the date when the Stock Option is exercised. Unless otherwise permitted by the Committee, in its discretion, the Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Option Price if such action would cause the Company to recognize compensation (or additional compensation expense) with respect to the Stock Option for financial reporting purposes ~~expense~~.

The Committee, in its discretion, also may allow the Option Price to be paid with such other consideration as shall constitute lawful consideration for the issuance of Shares (including, without limitation, effecting a "cashless exercise" with a broker of the Stock Option), subject to applicable securities law restrictions and tax withholdings, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law. A "cashless exercise" of a Stock Option is a procedure by which a broker provides the funds to the Optionee to effect a Stock Option exercise, to

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the extent consented to by the Committee, in its discretion. At the direction of the Optionee, the broker will either (i) sell all of the Shares received when the Stock Option is exercised and pay the Optionee the proceeds of the sale (minus the Option Price, withholding taxes and any fees due to the broker) or (ii) sell enough of the Shares received upon exercise of the Stock Option to cover the Option Price, withholding taxes and any fees due the broker and deliver to the Optionee (either directly or through the Company) a stock certificate for the remaining Shares.

In no event will the Committee allow the Option Price to be paid with a form of consideration, including a loan or a "cashless exercise," if such form of consideration would violate the Sarbanes-Oxley Act of 2002 as determined by the Committee, in its discretion.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall (i) deliver, or cause to be delivered, to or on behalf of the Optionee, in the name of the Optionee or other appropriate recipient, Share certificates for the number of Shares purchased under the Stock Option or (ii) electronically credit to a brokerage account in the name of the Optionee or other appropriate recipient the number of Shares purchased under the Stock Option. Such delivery shall be effected for all purposes when the Company or a stock transfer agent of the Company shall have (i) deposited such certificates in the United States mail, addressed to Optionee or other appropriate recipient or (ii) electronically credited the Shares to a brokerage account in the name of the Optionee or other appropriate recipient.

(d) Grant of Stock Appreciation Rights.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Stock Appreciation Rights to any eligible person.

Each grant of Stock Appreciation Rights shall be evidenced by an **SAR Award** Agreement, which shall contain such terms and conditions as may be approved by the Committee. Stock Appreciation Rights shall include a Restriction Period as determined by the Committee in accordance with the provisions of the Plan. The terms and conditions of the respective **SAR Award** Agreements need not be identical for each Grantee; provided that the maximum term of a Stock Appreciation Right shall be ten (10) years from the date of grant and the per share SAR Grant Value shall not, under any circumstances, be less than the Fair Market Value of a Share of Common Stock on the date the Stock Appreciation Right is granted. A Stock Appreciation Right entitles the Grantee, upon exercise, to receive an amount equal to the product of (x) the excess of the Fair Market Value of one Share of Company Common Stock on the date of exercise over the SAR Grant Value and (y) the number of ~~s~~Shares as to which such Stock Appreciation Right is exercised. Payment of the amount determined under the foregoing shall be made in Shares of Common Stock valued at their Fair Market Value on the date of exercise; provided, however, that no fractional ~~shares of Company Common Stock~~ **Shares** shall be issued upon exercise of a Stock Appreciation Right and any fractional ~~s~~Share interest shall be settled in cash. As soon as practicable after receipt of a written or electronic notification of exercise of a Stock Appreciation Right, the Company shall (i) deliver, or cause to be delivered, to or on behalf of the Grantee, in the name of the Grantee or other appropriate recipient, Share certificates for the number of Shares issued as a result of such exercise or (ii) electronically credit to a brokerage account in the name of the Grantee or other appropriate recipient the number of Shares issued as a result of such exercise. Such delivery shall be effected for all purposes when the Company or a stock transfer agent of the Company shall have (i) deposited such certificates in the United States mail, addressed to Grantee or other appropriate recipient or (ii) electronically credited the Shares to a brokerage account in the name of the Grantee or other appropriate recipient.

(e) Grant of Performance Awards.

Subject to the terms and conditions of the Plan, the Committee is authorized to grant Performance Awards to any eligible person. Performance Awards may be granted in the form of cash, Shares or a combination of both, in such amounts and at such times as the Committee shall determine. Performance Awards shall be conditioned upon the level of achievement of one or more stated performance goals over a specified performance period that shall not be shorter than one year. Performance Awards may be combined with other Awards to impose performance criteria as part of the terms of such other Awards.

Each Award Agreement with respect to a Performance Award shall set forth (a) the amount, including a target and maximum amount, if applicable, a Grantee may earn in the form of cash or Shares or a formula for determining such amount, (b) the performance criteria and level of achievement versus such criteria that shall determine the amount payable or number of Shares to be granted, issued, retained and/or vested, (c) the performance period over which performance is to be measured, (d) the timing of any payments to be made, (e) restrictions on the transferability of the Performance Award and (f) such other terms and conditions as the Committee may determine that are not inconsistent with the Plan.

The Committee shall determine in its sole discretion whether all or any portion of a Performance Award shall be intended to satisfy the requirements for "performance-based" compensation under Section 162(m) of the Code (the "162(m) Requirements"). The performance criteria for any Performance Award that is intended to satisfy the 162(m) Requirements shall be established in writing by the Committee based on one or more performance goals as set forth in this Section III(e) not later than 90 days after the commencement of the performance period with respect to such Performance Award, provided that the outcome of the performance in respect of the goals remains substantially uncertain as of such time. With respect to Performance Awards that are intended to satisfy the 162(m) Requirements, the maximum amount that may be paid in cash pursuant to a Performance Award granted to a Grantee with respect to a fiscal year is \$5,000,000 and the maximum number of Shares that may be subject to a Performance Award granted to a Grantee with respect to a fiscal year is 500,000 Shares; provided, however, that such maximum amount and number of Shares with respect to a Performance Award that provides for a performance period longer than one fiscal year shall be the foregoing limit multiplied by the number of full fiscal years in the performance period. At the time of the grant of a Performance Award and to the extent permitted under Section 162(m) of the Code and Treasury Regulations thereunder for a Performance Award intended to satisfy the 162(m) Requirements, the Committee may provide for the manner in which the performance goals will be measured in light of specified corporate transactions, extraordinary events, accounting changes and other similar occurrences. With respect to Performance Awards that are intended to satisfy the 162(m) Requirements, the terms of this Section III(e) shall be interpreted in a manner consistent with Section 162(m) of the Code and the Treasury Regulations and other guidance thereunder.

The performance measure(s) to be used for purposes of Performance Awards may be described in terms of objectives that are related to the individual Grantee or objectives that are company-wide or related to a subsidiary, division, department, region, function or business unit of the Company in which the Grantee is employed or with respect to which the Grantee performs services, and may consist of one or more or any combination of the following criteria: (a) earnings or earnings per Share (whether on a pre-tax, after-tax, operational or other basis), (b) return on equity, (c) return on assets or net assets, (d) return on capital or invested capital and other related financial measures, (e) cash flow or EBITDA or EBITDAX, (f) revenues, (g) income or operating income, (h) expenses or costs or expense levels or cost levels (absolute or per unit), (i) one or more operating ratios, (j) stock price, (k) total stockholder return, (l) operating profit, (m) profit margin, (n) capital expenditures, (o) net borrowing, debt leverage levels, credit quality or debt ratings, (p) the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions, (q) net asset

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value per Share, (r) economic value added, (s) individual business objectives, (t) growth in production, (u) growth in reserves, (v) reserve replacement ratio, (w) finding and development cost per unit, and/or (x) strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures, or any combination thereof. The performance goals based on these performance measures may be made relative to the performance of other business entities. The Committee may appropriately adjust any evaluation of performance criteria to exclude any of the following events that occurs during a performance period: (1) gains or losses on sales of assets, (2) asset impairments or write-downs, (3) litigation or claim judgments or settlements, (4) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (5) accruals for reorganization and restructuring programs, (6) any extraordinary non-recurring items as described in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 225-20 (or any successor pronouncement thereto) and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, (7) acquisitions or divestitures, (8) any other specific, unusual or nonrecurring events, or objectively determinable category thereof, (9) foreign exchange gains and losses, (10) a change in the Company's fiscal year, and (10) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code).

Prior to the payment of any compensation pursuant to a Performance Award that is intended to satisfy the 162 (m) Requirements, the Committee shall certify the extent to which the performance goals and other material terms of the Performance Award have been achieved or satisfied. The Committee in its sole discretion shall have the authority to reduce, but not to increase, the amount payable and the number of Shares to be granted, issued, retained or vested pursuant to a Performance Award.

IV. Eligibility of Participants, Term and Transferability

Restricted Stock, **Restricted Stock Units**, Stock Appreciation Rights ~~and~~, Stock Options **and Performance Awards** may be granted only to individuals who are employees (including officers and directors who are also employees) of the Company or any parent or subsidiary corporation (as defined in Section 424 (e) and (f) of the Code) of the Company at the time the ~~Restricted Stock, Stock Appreciation Rights or Stock Options~~ **Award** is granted. Restricted Stock, **Restricted Stock Units**, Stock Appreciation Rights ~~and~~, Stock Options **and Performance Awards** may be granted to the same individual on more than one occasion. No Incentive Stock Option shall be granted to an eligible person who owns or who would own immediately before the grant of such Incentive Stock Option more than 10% of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporation, unless (i) at the time such Stock Option is granted the option price is 110% of the Fair Market Value of the Shares granted on the date of the grant and (ii) such Stock Option by its terms is not exercisable after the expiration of five (5) years from the date of grant. The term of each Stock Option granted to other eligible persons shall be not more than ten (10) years from the date of the grant. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Shares with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all incentive stock option plans of the Company and its parent and subsidiary corporations exceeds \$100,000, such excess Incentive Stock Options shall be treated as Non-Statutory Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, ~~the~~ **Treasury Regulations** and other administrative pronouncements, which of an Optionee's Stock Options will not constitute Incentive Stock Options because of such limitation and shall notify the Optionee of such determination as soon as practicable after such determination.

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~~Restricted Stock, Stock Appreciation Rights and Stock Options~~Awards granted under the Plan shall not be transferable or assignable other than: (a) by will or the laws of descent and distribution or (b) pursuant to a qualified domestic relations order (as defined by Section 414(p) of the Code); provided, however, if an Incentive Stock Option is transferred pursuant to a qualified domestic relations order (as defined by Section 414(p) of the Code), the Option shall cease to qualify as an Incentive Stock Option as of the date of such transfer; provided, further, however, only with respect to Non-Statutory Stock Options and Stock Appreciation Rights the Committee may, in its discretion, authorize all or a portion of the Non-Statutory Stock Options and/or Stock Appreciation Rights to be granted on terms which permit transfer by the Optionee / Grantee to (i) the members of the Optionee's / Grantee's Immediate Family, (ii) a trust or trusts for the exclusive benefit of such Immediate Family, or (iii) a partnership in which such members of such Immediate Family are the only partners, provided that (A) there may be no consideration for any such transfer, (B) the SAR Award Agreement pursuant to which such Non-Statutory Stock Options and/or Stock Appreciation Rights are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section and (C) subsequent transfers of transferred Stock Options and/or Stock Appreciation Rights shall be prohibited except in accordance with clauses (A) and (B) above of this sentence. Following any permitted transfer, any Non-Statutory Stock Option and/or Stock Appreciation Right shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that the term "Optionee" and "Grantee" shall be deemed to refer to the transferee. The Non-Statutory Stock Option and/or Stock Appreciation Right shall be exercisable by the transferee only to the extent, and for the periods, specified in the Option Agreement and/or SAR Award Agreement.

Except as may otherwise be permitted under the Code, in the event of a permitted transfer of a Non-Statutory Stock Option or Stock Appreciation Right hereunder, the original Optionee/Grantee shall remain subject to withholding taxes upon exercise. In addition, the Company shall have no obligation to provide any notices to a transferee including, for example, the termination of a Stock Option or Stock Appreciation Right following the original Optionee's termination of employment.

No transfer by will, trust or by the laws of descent and distribution shall be effective to bind the Company unless the Committee has been furnished with a copy of the deceased Grantee's or Optionee's enforceable will, trust or such other evidence as the Committee deems necessary to establish the validity of the transfer. Any attempted transfer in violation of this provision shall be void and ineffective. All determinations under this Section shall be made by the Committee in its discretion.

In the event the employment of a person by the Company (or a subsidiary) shall be terminated at a time when such person holds an Incentive Stock Option, such person (or in the event employment is terminated due to death or disability of such person, his or her personal representative) may exercise his or her Incentive Stock Option (to the extent such person was entitled to exercise such Incentive Stock Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date that is three months following the termination of such person's employment (or such shorter or longer period specified in the Option Award Agreement) or (ii) the expiration of the term of the Incentive Stock Option as set forth in the Option Award Agreement; provided, however, if termination of employment is due to the death or disability (as defined in section 22(e)(3) of the Code) of such person the three month period set forth in (i) above shall be extended to 12 months.

V. Shares Subject to Plan

(a) The aggregate number of shares of Restricted Stock and Shares which may be covered by Stock Options (including Incentive Stock Options), Restricted Stock Units and Performance Awards and issued upon exercise of Stock Appreciation Rights granted under the Plan shall not exceed 17,850,000. In addition, the aggregate number of shares of Restricted Stock which may be issued under the Plan shall not exceed 8,178,841. Such shares 28,850,000. Notwithstanding any provision in the Plan

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to the contrary, the maximum number of Shares that may be granted during any calendar year to an individual under the Plan as Restricted Stock or that may be subject to Restricted Stock Units, Stock Options, Stock Appreciation Rights or Performance Awards may not exceed 500,000 Shares (subject to adjustment in the same manner as provided in Section VIII hereof), and the maximum aggregate number of Shares that may be issued under the Plan through Incentive Stock Options shall be equal to the Plan limit set forth above. The limitation set forth in the preceding sentence shall be applied in a manner which will permit compensation generated under the Plan to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, without limitation, counting against such maximum number of Shares, to the extent required under Section 162(m) of the Code and applicable interpretive authority thereunder, any Shares subject to Stock Options, Stock Appreciation Rights and Performance Awards that are canceled or repriced.

(b) Any provision of this Plan to the contrary notwithstanding, any award of Restricted Stock (including Shares issued without a Restriction Period, pursuant to the exception set forth in the definition of such term), Restricted Stock Units and Performance Awards that may be settled in Shares that, in each case, are granted under this Plan subsequent to May 18, 2011, shall reduce the aggregate limit on Shares set forth above by 1.75 shares for every one share issued in connection with such award. The Shares issued hereunder may consist of authorized but unissued Shares, treasury shares of Common Stock, or previously issued Shares reacquired by the Company. Any of such Shares which remain unissued and which are not subject to outstanding ~~Stock Options or Stock Appreciation Rights Awards~~ at the termination of the Plan shall cease to be subject to the Plan, but, until termination of the Plan, the Company shall at all times make available a sufficient number of Shares to meet the requirements of the Plan. Should any Stock Option or Stock Appreciation Right hereunder expire or terminate prior to its exercise in full, the Shares theretofore subject to such Stock Option or Stock Appreciation Right may again be subject to a Stock Option or Stock Appreciation Right granted under the Plan to the extent permitted under Rule 16b-3; provided, however, that for purposes Article II any such sShares shall be counted in accordance with the requirements of Section 162(m) of the Code . Upon the forfeiture of any Restricted Stock, ~~the forfeited shares of Restricted Stock or Restricted Stock Units or the expiration or termination of Performance Awards that may be settled in Shares, the number of Shares that~~ shall thereafter be available for award under the Plan shall be increased by a number of Shares equal to the amount by which the number of Shares available under the Plan was reduced upon the issuance thereof (for example, each share of Restricted Stock issued prior to May 18, 2011, that is forfeited shall increase the number of Shares available for issuance by one Share, while each share of Restricted Stock issued after May 18, 2011, which reduced the aggregate shares available under the Plan by 1.75 Shares for every one Share issued shall, upon forfeiture, increase the aggregate number of Shares available for issuance by 1.75 Shares). Upon forfeiture of any Awards, Shares theretofore subject to such Awards may again be subject to other Awards granted under the Plan to the extent permitted under Rule 16b-3. The aggregate number of Shares which may be issued under the Plan shall be subject to adjustment in the same manner as provided in Section VIII hereof with respect to Shares subject to Stock Options and Stock Appreciation Rights then outstanding. Exercise of a Stock Option or Stock Appreciation Right in any manner shall result in a decrease in the number of Shares which may thereafter be available, ~~both for purposes of the Plan and for grant to any one individual,~~ by the number of (i) Shares as to which the Stock Option is exercised ~~and the number of,~~ (ii) Shares issued upon exercise of ~~Stock Appreciation Rights~~ Stock Appreciation Right, (iii) ~~Shares that were not issued or delivered as a result of the net settlement of the Stock Option or Stock Appreciation Right,~~ (iv) Shares surrendered to pay the exercise price or withholding taxes related to any outstanding award under the Plan, or (v) Shares repurchased on the open market with proceeds from the exercise of the Stock Option. Separate stock certificates may be issued by the Company for those Shares acquired pursuant to the exercise of any Stock Option which does not constitute an Incentive Stock Option.

VI. Option Price ; SAR Grant Value; Prohibition on Repricing

The Option Price of Shares issued under each Stock Option shall be equal to the Fair Market Value of Shares subject to the Stock Option on the date the Stock Option is granted; provided, however, that this limitation shall not apply to Incentive Stock Options for which a greater Option Price is required pursuant to ~~Paragraph~~**Section IV** hereof.

The SAR Grant Value of a Stock Appreciation Right shall be the Fair Market Value of a Share of Company Common Stock on the date the Stock Appreciation Right is granted.

Other than to effect adjustments in accordance with Article VIII, without the approval of the stockholders of the Company, the terms of a Stock Option or Stock Appreciation Right may not be amended to reduce the exercise price thereof, and the Company shall not be permitted under this Plan to exchange any outstanding Stock Option or Stock Appreciation Right issued under this Plan for (i) a new Stock Option or Stock Appreciation Right having an exercise price that is lower than the exercise price of such outstanding Stock Option or Stock Appreciation Right or (ii) any combination of cash and other Awards.

VII. Term of Plan

This Plan became effective as of June 3, 2004, pursuant to approval by the stockholders of the Company at the 2004 Annual Meeting of Stockholders, **and was subsequently twice amended and restated in its entirety. This amended and restated Plan shall become effective on May 18, 2011, provided it is approved by the stockholders of the Company at the 2011 Annual Meeting of Stockholders.** Except with respect to ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ then outstanding, if not sooner terminated under the provisions of Section IX **or extended upon approval by the stockholders of the Company,** the Plan shall terminate upon and no further ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ shall be granted after ~~June 2~~**May 18, 2014.**

VIII. Recapitalization or Reorganization

(a) The existence of the Plan and the Restricted Stock, ~~Restricted Stock Units, Stock Appreciation Rights and, Stock Options and Performance Awards~~ granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) The ~~s~~Shares with respect to which Stock Options and Stock Appreciation Rights may be granted are shares of **Common** Stock as presently constituted, but if, and whenever, prior to the expiration of a Stock Option ~~or, Stock Appreciation Right, Restricted Stock Unit or Performance Award~~ theretofore granted, the Company shall effect a subdivision or consolidation of shares of **Common** Stock or the payment of a stock dividend on **Common** Stock without receipt of consideration by the Company, the number of Shares with respect to which such ~~Stock Option and Stock Appreciation Rights Award~~ may thereafter be exercised (i) in the event of an increase in the number of outstanding Shares shall be proportionately increased, and, **with respect to Stock Options and Stock Appreciation Rights,** the Option Price per Share and SAR Grant Value per Share, **respectively,** shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding Shares shall be proportionately reduced, and, **with respect to Stock Options and Stock Appreciation Rights,** the Option Price per share and SAR Grant Value per Share, **respectively,** shall be proportionately increased.

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(c) If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "recapitalization"), the number and class of shares of Common Stock covered by ~~a~~ Awards of Restricted Stock Option or Units, Stock Options, Stock Appreciation Right ~~Rights or Performance Awards~~ theretofore granted shall be adjusted so that such ~~Stock Option or Stock Appreciation Right~~ Awards shall thereafter cover the number and class of shares of stock and securities to which the Optionee or Grantee would have been entitled pursuant to the terms of the recapitalization if, immediately prior to the recapitalization, the Optionee or Grantee had been the holder of record of the number of shares of ~~Stock~~ then covered by such ~~Stock Option or Stock Appreciation Right~~ Awards.

If (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization (or survives only as a subsidiary of an entity other than a previously wholly-owned subsidiary of the Company), (ii) the Company sells, leases or exchanges substantially all of its assets to any other person or entity (other than a wholly-owned subsidiary of the Company), (iii) the Company is to be dissolved and liquidated, (iv) any person or entity, including a "group" as contemplated by Section 13(d)(3) of the Exchange Act acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the outstanding shares of the Company's voting stock (based upon voting power), or (v) as a result of or in connection with a contested election of directors, the persons who were directors of the Company before such election shall cease to constitute a majority of the Board (each such event is referred to herein as a "Corporate Change"), ~~no later than (a) ten (10) days after the approval by the stockholders of the Company~~ then (a) in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) within thirty (30) days after a change of control of the type described in Clause (iv), the Committee, acting in its sole discretion without the consent or approval of any Optionee or Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Optionees and Grantees and which may vary among Stock Options and Stock Appreciation Rights held by any individual Optionee/Grantee: (1) accelerate the time at which Stock Options and Stock Appreciation Rights then outstanding may be exercised so that such Stock Options and Stock Appreciation Rights may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all unexercised Stock Options and Stock Appreciation Rights and all rights of Optionees and Grantees thereunder shall terminate, (2) require the mandatory surrender to the Company by selected Optionees and Grantees of some or all of the outstanding Stock Options or Stock Appreciation Rights held by such Optionees and Grantees (irrespective of whether such Stock Options or Stock Appreciation Rights are then exercisable under the provisions of the Plan) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Stock Options and Stock Appreciation Rights and the Company shall pay to each Optionee and Grantee an amount of cash per share to be determined by the Committee, (3) make such adjustments to Stock Options and Stock Appreciation Rights then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to Stock Options and Stock Appreciation Rights then outstanding) or (4) provide that the number and class of shares of Common Stock covered by a Stock Option or Stock Appreciation Right theretofore granted shall be adjusted so that such Stock Option or Stock Appreciation Right shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Optionee or Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Optionee or Grantee had been the holder of record of the number of shares of Common Stock then covered by such Stock Option or Stock Appreciation Right. In addition, ~~no later than (a) ten (10) days after the approval by the stockholders of the Company~~ in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type

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described in Clause (iv), the Committee, acting in its sole discretion without the consent or approval of any Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Grantees and which may vary among Restricted Stock or Restricted Stock Units held by any individual Grantee: (1) remove any and all restrictions to which the Restricted Stock and Restricted Stock Units is subject including removing the Restriction Period, (2) require the mandatory surrender to the Company by selected Grantees of some or all of the outstanding Restricted Stock or Restricted Stock Units held by such Grantees as of a date, before or after such Corporate Change, specified by the Committee and the Company shall pay to each Grantee an amount of cash per share to be determined by the Committee, (3) make such adjustments to the Restricted Stock or Restricted Stock Units then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to the Restricted Stock or Restricted Stock Units then outstanding) or (4) provide that the number and class of shares of ~~Restricted Stock~~ covered by a Restricted Stock or Restricted Stock Unit Award Agreement theretofore granted shall be adjusted so that such ~~Restricted Stock Award~~ shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Grantee had been the holder of record of the number of Shares ~~which was not Restricted Stock~~ subject to the Award Agreement. In addition, in connection with the consummation of such merger, consolidation, reorganization, sale, lease or exchange of assets or dissolution or such election of directors or (b) thirty (30) days after a change of control of the type described in Clause (iv), the Committee, acting in its sole discretion without the consent of any Grantee, shall act to effect one or more of the following alternatives, which may vary among individual Grantees and which may vary among Performance Awards held by any individual Grantee: (1) terminate the Performance Award in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the achievement of performance goals under such Award as of the date of the occurrence of such transaction or event or at the target performance level, as determined by the Committee in its sole discretion (and, for the avoidance of doubt, if as of the date of the occurrence of such transaction or event the Committee determines in good faith that no amount would have been payable or Shares issued, then such Performance Award may be terminated by the Committee without payment), (2) replace the Performance Award with other rights and property selected by the Committee in its sole discretion, (3) make such adjustments to the Performance Award then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary to the Performance Award then outstanding) or (4) provide that the number and class of Shares covered by a Performance Award theretofore granted shall be adjusted so that such Performance Award shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Grantee would have been entitled pursuant to the terms of the agreement of merger, consolidation or sale of assets and dissolution if, immediately prior to such merger, consolidation or sale of assets and dissolution the Grantee had been the holder of record of the number of Shares then covered by such Performance Award.

(d) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason therefor shall be made with respect to, any Restricted Stock or the number of ~~shares of Stock~~ Shares subject to Restricted Stock Units, Stock Options ~~or~~, Stock Appreciation Rights or Performance Awards theretofore granted or the Option Price or SAR Grant Value.

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(e) To the extent applicable, the adjustments provided for in this Article VIII are to be made in a manner consistent with the requirements of Sections 422, 424 and 409A of the Code and related Treasury Regulations and other applicable law.

IX. Amendment or Termination of the Plan

The Board in its discretion may terminate the Plan at any time with respect to any ~~s~~Shares for which ~~Stock Options, Stock Appreciation Rights, or Restricted Stock Awards~~ have not theretofore been granted. The Board shall have the right to alter or amend the Plan or any part thereof from time to time; provided, that no change in any ~~Restricted Stock Agreement, SAR Agreement or Stock Option Award~~ Agreement theretofore granted may be made which would impair the rights of the Participant without the consent of such Participant (unless such change is required in order to cause the benefits under the Plan to qualify as performance-based compensation within the meaning of Section 162(m) of the Code and applicable interpretive authority thereunder); and provided, further, that (i) the Board may not make any alteration or amendment which would decrease any authority granted to the Committee hereunder in contravention of Rule 16b-3 and (ii) the Board may not make any alteration or amendment which would materially increase the benefits accruing to Participants under the Plan, increase the aggregate number of shares which may be issued pursuant to the provisions of the Plan, change the class of individuals eligible to receive ~~Restricted Stock, Stock Appreciation Rights or Stock Options Awards~~ under the Plan or extend the term of the Plan, without the approval of the stockholders of the Company.

X. Securities Laws

(a) The Company shall not be obligated to issue any Shares pursuant to any ~~Restricted Stock Agreement, Stock Appreciation Right or Stock Option Award~~ granted under the Plan at any time when the offering of the ~~shares of Restricted Stock, or shares~~Shares covered by such ~~Stock Option or Stock Appreciation Right Award~~ have not been registered under the Securities Act of 1933 and such other state and federal laws, rules or regulations as the Company or the Committee deems applicable and, in the opinion of legal counsel for the Company, there is no exemption from the registration requirements of such laws, rules or regulations available for the offering and sale of such Shares.

(b) It is intended that the Plan and any grant of ~~Restricted Stock, Stock Appreciation Right or a Stock Option~~an Award pursuant to an Award Agreement made to a person subject to Section 16 of Exchange Act meet all of the requirements of Rule 16b-3. If any provision of the Plan or any such ~~Restricted Stock Award Agreement, SAR Agreement or Stock Option~~ would disqualify the Plan or ~~such Restricted Stock Agreement, SAR Agreement or Stock Option under~~an Award thereunder, or would otherwise not comply with, Rule 16b-3, such Plan provision, ~~Restricted Stock Agreement, SAR Agreement or Stock Option~~ or Award Agreement shall be construed or deemed amended to conform to Rule 16b-3.

XI. General

(a) Nothing contained in this Plan, ~~any Restricted Stock Agreement, any SAR Agreement or any Stock Option Award Agreement~~ granted pursuant to this Plan shall confer upon any employee the right to continue in the employ of the Company or its parent or subsidiary or any other corporation affiliated with the Company, or interfere in any way with the rights of the Company or its parent or subsidiaries or any corporation affiliated with the Company to terminate his or her employment. Except as provided in Article IV (or such shorter or longer period specified in ~~the~~an Option Award Agreement), for the entire time from the date of granting an Incentive Stock Option until the date of exercise, the holder of an Incentive Stock Option must be an employee of the Company (or a subsidiary of the Company that is a corporation for federal tax purposes).

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(b) No Optionee or Grantee shall have any rights as a stockholder of the Company with respect to any Shares subject to a Stock Option or Stock Appreciation Right hereunder until such Stock Option or Stock Appreciation Right shall be exercised and Shares have been issued. No Grantee shall have any rights as a stockholder of the Company with respect to any Shares subject to a Restricted Stock Unit or a Performance Award until the date of issuance of Shares in Grantee's name.

(c) Nothing contained in this Plan, ~~a Restricted Stock Agreement, an SAR Agreement or in any Stock Option or an Award~~ Agreement issued hereunder shall impose any liability or responsibility on the Company, the Board, the Committee or any member or any of the foregoing to pay, or reimburse any Participant for the payment of any tax arising out of, or on account of the issuance of Restricted Stock, Restricted Stock Units, Stock Appreciation Right ~~or Stock Option or Rights~~, Stock Options or Performance Awards hereunder to any Participant, an Optionee's exercise of any Stock Option issued under the Plan, a ~~Grantees~~ Grantee's exercise of any Stock Appreciation Right issued under the Plan or a Participant's sale, transfer or other disposition of any Restricted Stock, or Shares acquired pursuant to the exercise of any Stock Option ~~or~~, Stock Appreciation Right or Performance Award issued hereunder. Any person receiving Restricted Stock, Restricted Stock Units, a Stock Appreciation Right ~~or~~, a Stock Option or a Performance Award hereunder shall expressly acknowledge and agree that such participation is voluntary and that the Participant shall be solely responsible for all taxes to which he or she may, or become subject, as a consequence of such participation.

(d) The limitations and restrictions set forth in this Plan, to the extent such limitations and restrictions differ from the Company's prior employee incentive plans, shall not apply to ~~Option Agreements, Restricted Stock Agreements and SAR Agreements entered into and effective~~ Awards granted prior to the effective date of this Plan.

**PROPOSAL 5—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTANTS**

The audit committee has appointed Deloitte & Touche LLP as the independent registered public accounting firm to serve as our independent registered public accountants in respect of the fiscal year ending December 31, 2011. The audit committee recommends that our stockholders ratify this appointment.

During 2010, Deloitte & Touche LLP audited our annual consolidated financial statements and those of our subsidiaries, reviewed financial information in filings with the SEC and other regulatory agencies, audited our internal control over financial reporting for the fiscal year ended December 31, 2010, and provided various other services.

The affirmative vote of the majority of the shares present in person or represented by proxy at the annual meeting and voting on the proposal shall constitute ratification of the selection of Deloitte & Touche LLP. If our stockholders do not ratify the appointment of Deloitte & Touche LLP, the appointment of an independent registered public accounting firm to serve as the independent registered public accountants for the fiscal year ending December 31, 2011 will be reconsidered by the audit committee.

Representatives of Deloitte & Touche LLP are expected to be present at the meeting and will have an opportunity to address the meeting and respond to appropriate questions.

The board of directors unanimously proposes and recommends that you vote "FOR" the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accountants for the fiscal year ending December 31, 2011.

**SUBMISSION OF STOCKHOLDER PROPOSALS FOR OUR 2012 ANNUAL
MEETING OF STOCKHOLDERS**

Stockholder proposals intended to be presented under Rule 14a-8 under the 1934 Act for inclusion in our proxy statement and accompanying proxy for our 2012 annual meeting of stockholders, including nomination of an individual for election as a director at the 2012 annual meeting of stockholders, must be received at our principal executive offices in Houston, Texas, on or before December 17, 2011, and must meet all the requirements of Rule 14a-8. If a stockholder intends to present a proposal at our 2012 annual meeting but has not sought the inclusion of such proposal in our proxy materials, we must receive the proposal on or before March 21, 2012, or our management proxies for the 2012 annual meeting will be entitled to use their discretionary voting authority if the proposal is then raised at the meeting, without any discussion of the matter in our proxy materials, in accordance with Rule 14a-4(c) under the 1934 Act. For a description of some of the requirements for suggesting an individual for consideration by the nominating and corporate governance committee for election as a director, see "Our Board of Directors and Its Committees—Board of Directors; Corporate Governance Matters—Stockholder Nomination Process."

Proposals and other notices should be sent to:

David S. Elkouri, Executive Vice President—General Counsel and Secretary
1000 Louisiana, Suite 5600
Houston, Texas 77002

The use of certified mail, return receipt requested, is suggested.

OTHER MATTERS

The board knows of no other proposals that may properly be presented for consideration at the annual meeting but, if other matters do properly come before the annual meeting, and provided you fill out the enclosed proxy card and return it, thereby consenting to be represented at the annual meeting by proxy, the persons named in the proxy will vote your shares according to their best judgment.

By Order of the Board of Directors
of Petrohawk Energy Corporation

PETROHAWK ENERGY CORPORATION
1000 Louisiana, Suite 5600
Houston, Texas 77002

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 18, 2011

PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Floyd C. Wilson and Mark J. Mize and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares which the undersigned may be entitled to vote at the annual meeting of stockholders of Petrohawk Energy Corporation on May 18, 2011 and any adjournments or postponements thereof, with all powers that the undersigned would possess if personally present, with respect to the matters referred to on this proxy. A majority of the proxies or substitutes present at the meeting may exercise all power granted hereby.

(Continued and to be signed on the reverse side)

ANNUAL MEETING OF STOCKHOLDERS OF
PETROHAWK ENERGY CORPORATION

May 18, 2011

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

Please detach along perforated line and mail in the envelope provided.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR, "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, FOR THE OPTION OF EVERY "1 YEAR" AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION, "FOR" THE AMENDMENT OF THE THIRD AMENDED AND RESTATED 2004 EMPLOYEE INCENTIVE PLAN AND "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2011. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ☐

1. Election of Directors.

☐ **FOR ALL NOMINEES**

☐ **WITHHOLD AUTHORITY
FOR ALL NOMINEES**

☐ **FOR ALL EXCEPT**
(See instructions below)

NOMINEES:

- ☐ Floyd C. Wilson
☐ Gary A. Merriman
☐ Robert C. Stone, Jr.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: •

- | | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 2. Approval of the compensation of our named executive officers. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> |
| 3. Recommendation of the frequency of a stockholder vote to approve the compensation of our named executive officers. | 1 year
<input type="checkbox"/> | 2 years
<input type="checkbox"/> | 3 years
<input type="checkbox"/> |
| | ABSTAIN
<input type="checkbox"/> | | |
| 4. Approval of amendments to our Third Amended and Restated 2004 Employee Incentive Plan. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |
| 5. Ratification of the appointment of Deloitte & Touche LLP as our Independent Registered Public Accountants for 2011. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |

This Proxy when properly executed will be voted in the manner directed herein. If properly executed and no direction is made, this Proxy will be voted in accordance with the above-stated recommendations of our Board of Directors.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

PLEASE MARK, SIGN, DATE, DETACH AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

ANNUAL MEETING OF STOCKHOLDERS OF
PETROHAWK ENERGY CORPORATION

May 18, 2011

PROXY VOTING INSTRUCTIONS

MAIL - Date, sign and mail your proxy card in the envelope provided as soon as possible

COMPANY NUMBER

- OR -

TELEPHONE—Call toll-free **1-800-PROXIES** (1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

ACCOUNT NUMBER

- OR -

INTERNET — Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

You may enter your voting instructions at 1-800-PROXIES or **www.voteproxy.com** up until 11:59 PM Eastern Time the day before the cut-off or meeting date.

Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NOMINEES FOR DIRECTOR, "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, FOR THE OPTION OF EVERY "1 YEAR" AS THE PREFERRED FREQUENCY FOR ADVISORY VOTES ON EXECUTIVE COMPENSATION, "FOR" THE AMENDMENT OF THE THIRD AMENDED AND RESTATED 2004 EMPLOYEE INCENTIVE PLAN AND "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR 2011. PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ☒

1. Election of Directors.

☐ **FOR ALL NOMINEES**

☐ **WITHHOLD AUTHORITY
FOR ALL NOMINEES**

☐ **FOR ALL EXCEPT**
(See instructions below)

NOMINEES:

- ☐ Floyd C. Wilson
☐ Gary A. Merriman
☐ Robert C. Stone, Jr.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **"FOR ALL EXCEPT"** and fill in the circle next to each nominee you wish to withhold, as shown here: •

- | | | | |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| 2. Approval of the compensation of our named executive officers. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |
| 3. Recommendation of the frequency of a stockholder vote to approve the compensation of our named executive officers. | 1 year
<input type="checkbox"/> | 2 years
<input type="checkbox"/> | 3 years
<input type="checkbox"/> |
| 4. Approval of amendments to our Third Amended and Restated 2004 Employee Incentive Plan. | FOR
<input type="checkbox"/> | AGAINST
<input type="checkbox"/> | ABSTAIN
<input type="checkbox"/> |
| | FOR | AGAINST | ABSTAIN |

5. Ratification of the appointment of Deloitte & Touche LLP as
our Independent Registered Public Accountants for 2011.

☐☐☐

This Proxy when properly executed will be voted in the manner directed herein. If properly executed and no direction is made, this Proxy will be voted in accordance with the above-stated recommendations of our Board of Directors.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

PLEASE MARK, SIGN, DATE, DETACH AND RETURN THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

Signature of Stockholder _____ Date: _____ Signature of Stockholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

TAB 2

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

v.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF JAMES K. O'CONNELL

STATE OF TEXAS §
§
COUNTY OF DALLAS §

On this day before me personally appeared James K. O'Connell, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

DISCLOSURES

2. My hourly rate is \$325.
3. I considered and/or reviewed those items listed on Exhibit 1 to my report.

QUALIFICATIONS

4. I am qualified to serve as an expert witness in this case, which deals with issues of fiduciary duties and the level of care, skill, and caution expected of professional fiduciaries in the performance of their duties as a trustee of a trust. My qualifications are from my experience

serving as a Trust Officer for a national banking institution, as in-house counsel for two national banking institutions and as outside counsel retained by corporate fiduciaries.

5. The scope of responsibilities during my employment as a Trust Officer included the direct and indirect management of all areas of trust and fiduciary services, including trust administration, estate administration, investments, real estate, oil and gas, notes and mortgages and marketing of fiduciary services.

6. The scope of responsibilities during my employment as in-house counsel included (a) providing substantive legal support for trust offices located in Texas and other Southwestern and Midwestern states and for several regional trust offices, primarily working with the trust market executives and trust officers to address fiduciary questions and concerns arising in connection with specific trusts and other fiduciary accounts and serving as the primary national legal support for special trust asset groups, including the oil and gas, real estate, farm and ranch and closely held assets units, (b) managing litigation and threatened litigation matters involving trusts and other fiduciary accounts including retaining appropriate counsel, monitoring outside counsel activities and the progress of each matter, evaluating monetary and reputational risks, advising senior executives of the ongoing status of pending matters and potential options to resolve the matters, and (c) participating in ongoing projects with risk and compliance areas to develop internal written policies and procedures to identify and address risk factors in connection with the administration of fiduciary accounts.

SCOPE OF ENGAGEMENT

7. I have been engaged to apply my professional knowledge of fiduciary duties, standards, policies and practices to evaluate the actions, decisions, activities and omissions of the

Defendants in the performance of their duties in connection with the administration of the South Texas Syndicate Trust.

BACKGROUND OF THE TRUST

8. In 1906, Jed L. Washburn and five other investors purchased approximately 132,000 contiguous acres in McMullen and LaSalle Counties, Texas. In 1932, the then owners conveyed title to the land to A. McC. Washburn, who issued Certificates of Beneficial Interest to 30,000 shares in the South Texas Syndicate Trust (the “Trust”). Each beneficial owner received a Certificate for that part of the 30,000 shares equal to his proportionate interest in the South Texas Syndicate property. After the death of A. McC. Washburn in 1939, John T. Pearson was appointed Trustee of the Trust. Mr. Pearson died in 1950, leaving no person or entity named as Successor Trustee for the Trust.

9. The original ownership of the Trust property was in fee, with the initial purchasers owning both the surface and mineral estates. In 1950, the entire surface estate was sold, and since then the primary asset of the Trust has been the mineral estate and certain water rights in the 132,000 acres.

10. The Alamo National Bank was appointed Successor Trustee of the Trust on February 12, 1951 by court order. JP Morgan Chase Bank, N.A. (“JP Morgan”) and its predecessor banks, as successors to The Alamo National Bank, have acted as Successor Trustee of the Trust since that date. The Trust is considered to be a liquidating trust and the trustee was granted the authority to continue that liquidation.

11. The 1951 court order in relevant part permits the following compensation for the Trustee:

- a) “reasonable compensation” on sales of trust assets;
- b) 2.5% of disbursements for “routine services and responsibilities as

Trustee, including taking title of trust properties, ordinary management of trust properties, assessing of the trust properties for taxation, appearing before boards of equalization, [and] receiving, checking and disbursing of the royalties from trust properties”;

- c) A “reasonable fee” for “extraordinary services which the Trustee may be called upon to perform in connection with the trust estate”; and
- d) “Reimbursement for actual out-of-pocket expenses and reasonable attorneys’ and accountants’ fees incurred in connection with the said trust properties.”

12. Upon accepting its appointment as the Successor Trustee in 1951, The Alamo National Bank agreed that it would resign as trustee of the Trust upon the written request of fifty-one percent or more of the of holders of the then outstanding Certificates of Beneficial Interest.

13. Defendant Gary P. Aymes, who is an Executive Director and Senior Trust Officer for JP Morgan, is the principal officer and employee at JP Morgan primarily responsible for the administrative responsibilities for the Trust. The mineral management and leasing was handled almost exclusively by only one bank officer, Patricia Ormond, with minimal supervision by her supervisors. Upon her departure from JP Morgan, the responsibility for mineral management fell to H.L Tompkins and Bertram Hayes-Davis.

OVERVIEW

14. Plaintiffs allege that the Defendants breached their fiduciary duties and acted in an imprudent manner as it undertook and concluded the negotiation of unfavorable mineral leases of the Trust’s principal asset, being the mineral estate and water rights in the 132,000 acres (1) without doing reasonable and prudent levels of due diligence, (2) without obtaining market rate lease terms and compensation, (3) without maximizing the Trust’s benefits and interests in the mineral estate and water rights, and (4) without keeping the Trust beneficiaries adequately informed to allow them to monitor and protect their interests.

15. Plaintiffs also allege that the Defendants in administering the Trust (1) charged the Trust with excessive and unauthorized fees and commissions, (2) interpreted the 1951 court order in a self-serving manner that improperly benefited JP Morgan to the detriment of the Trust, (3) failed to disclose and avoid conflicts of interest between its corporate interests and its obligations as Trustee to the detriment of the Trust and its beneficiaries, and (4) failed to timely tender its resignation as Trustee causing harm to the Trust.

16. The evaluation of these issues focuses on the extent to which Defendant JP Morgan and its officers and employees did or did not sufficiently utilize an appropriate level of care, skill and caution in the administration of the Trust and in the performance of its duties, including the duties of (1) prudence, (2) loyalty, and (3) disclosure.

STATUTORY AND COMMON LAW GUIDANCE

17. Texas Property Code. Provisions of the Texas Property Code and the Uniform Prudent Investor Act as set forth in the Texas Property Code that are pertinent to my analysis are set forth below. The Uniform Prudent Investor Act provides guidance on the prudence required of a trustee in the investment and management of assets held in a Texas trust. The Uniform Prudent Investor Act adopts the Prudent Investor Rule.

18. §113.029(a) - Notwithstanding the breadth of discretion granted to a trustee in the terms of the trust, including the use of terms such as “absolute,” “sole,” or “uncontrolled,” the trustee shall exercise a discretionary power in good faith and in accordance with the terms and purposes of the trust and the interests of the beneficiaries.

19. §113.051(a) - The trustee shall administer the trust in good faith according to its terms and this subtitle. In the absence of any contrary terms in the trust instrument or contrary

provisions of this subtitle, in administering the trust the trustee shall perform all of the duties imposed on trustees by the common law.

20. §117.004(a) - A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distributions requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

21. §117.004(c)(8) - provides that one of the circumstances a Trustee is required to consider in investing and managing trust assets is “an asset’s special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries” .

22. §117.004(d) - A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

23. §117.004(e) - A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee’s reputation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.

24. §117.007 - A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

25. Office of the Comptroller of the Currency. The Office of the Comptroller of the Currency (OCC) has responsibility for the examination and supervision of national banks in exercising fiduciary powers. OCC regulations require a bank to “adopt and follow written policies and procedures adequate to maintain its fiduciary compliance with applicable law”. 12CFR9.5 (2010). This requires national banks to establish sound internal controls and appropriate policies as part of the bank’s risk management.

26. Common Law and Commentaries. Commentary on the duties and obligations of a trustee in the management of a trust include:

- a) *InterFirst Bank Dallas, N.A. v. Risser*, 739 S.W. 2d 882 (Tex. App.-Texarkana 1987, no writ)
- b) *Montgomery v. Kennedy*, 669 S.W. 2d 309 (Tex. 1984)
- c) *Huie v. DeShazo*, 922 S.W. 2d 920 (Tex. 1996)

27. A trustee has a duty to administer a trust solely in the interest of the trust beneficiaries. A trustee has a duty in dealing with its beneficiary to deal fairly and to communicate to the beneficiary all material facts the trustee knows or should know in connection with the matter. (§78 Restatement of the Law on Trusts, Third).

28. A trustee has a duty to keep beneficiaries reasonably informed of changes involving the trusteeship and about other significant developments concerning the trust and its administration, particularly material information needed by the beneficiaries for the protection of their interests. (§82(1)(c) Restatement of the Law on Trusts, Third).

29. Trustee's duty to furnish information, Scott on Trusts §173.

30. Trustee's duty of loyalty and duty of disclosure, Bogert, Trusts and Trustees, §543 and §961.

31. The Texas Pattern Jury Charge sets forth jury instructions, comments and remedies regarding breach of fiduciary duties. Specific sections can be found in the Business version at PJC 104.3, 104.4, 115.15, and in the Family/Probate version at PJC 235.9 - 235.15.

ANALYSIS

32. Since the Trust is a liquidating trust, the mineral interest and water rights constitute the primary and major assets of the Trust. The Trust owns the entire mineral interest underlying one contiguous 132,000 acre tract, which representatives of JP Morgan have indicated was the largest contiguous mineral property managed by JP Morgan in Texas. Given the size and scope of this asset, the proper valuation of the mineral interest and water rights

required full investigation and analysis at each instance where the mineral interest and water rights were being considered for lease. In completing its investigation and analysis, JP Morgan was required to utilize the requisite care, skill and caution of a prudent professional. In doing so, JP Morgan as a trustee who has special skills and expertise should have utilized every available resource to determine a proper valuation prior to entering into any lease of the mineral interest and water rights.

33. A prudent professional trustee in order to comply with the requirements of the Uniform Prudent Investor Act, applicable OCC regulations, other provisions of the Texas Trust Code and common law would establish an effective system of controls, policies, procedures and due diligence to ensure the effective evaluation and marketing of the interests held in the Trust so that the Trust would receive full value for the lease of those interests. Importantly, a prudent professional would be required to engage in this due diligence each time a lease opportunity was presented, whether it be a new lease, a renewal of a lease or an amendment to a lease.

34. This due diligence would include efforts to identify and review relevant information regarding the location of the asset and trends and developments in that location, trends and developments in the industry that could affect the value of the interests, the identity of entities that are active in leasing similar mineral interests and which might be interested in leasing all or a portion of the mineral interest, thoroughly investigating the entities that have indicated an interest in leasing the interests, utilizing all available resources both within the organization and outside of the organization that could assist the trustee in determining the proper value of the interests, and the evaluation of any special or unique circumstances that may affect the value or marketing of the interests. By completing this due diligence, a prudent trustee will increase the likelihood that the interests will be leased at their full market value.

35. Prudent and Competent Trust Management. Plaintiffs allege that the Defendants breached their fiduciary duties and did not act in a competent and prudent manner as they undertook and concluded the negotiation of unfavorable mineral leases of the Trust's principal asset, being the mineral interest and water rights in the 132,000 acre Trust property, and failed to otherwise properly manage the Trust and its assets. Based on my review of the items shown on Exhibit 1 and my review of deposition testimony and exhibits that may be admitted into evidence in this case, I conclude that JP Morgan failed to ensure that its officers and employees completed effective and thorough due diligence in the evaluation and marketing of the mineral interest and water rights, failed to establish an effective system of controls, policies, procedures and supervision to ensure compliance with applicable statutes and regulations and failed to otherwise properly manage the Trust and its assets . These failures were the direct cause of the Trust not receiving full value for the lease of the mineral interest and no consideration whatsoever for the lease of the water rights.

36. It is initially important to note when analyzing the adequacy of JP Morgan's management of the Trust mineral interests that Ms. Ormond has testified that the assets were the most remarkable that she had seen in her thirty-five year career as a landman. Bert Hayes-Davis also acknowledged the special nature of these assets when he testified that this was the largest contiguous property of this nature in any account under JP Morgan's management.

37. For the majority of the period from October 2005 through September 2009 for which Ms. Ormond was responsible for the management and leasing of the Trust mineral interest, she failed to develop any meaningful or comprehensive plan for the ongoing development and management of the mineral interest to ensure that the Trust realized their full value. Although Ms. Ormond has indicated that she had a plan in mind, she is unable to describe

the purported plan in any detail, and the plan was never reduced to writing or otherwise adequately presented to the Trust beneficiaries. It appears as though the only marketing efforts were JP Morgan's attendance at the North American Prospect Expo. This is particularly troubling as the mineral interest and the water rights are essentially the sole assets of the Trust. JP Morgan further failed to seek the advice and retain knowledgeable professionals such as geologists, geophysicists, petroleum engineers, attorneys, and others regarding the prudent development of the mineral asset.

38. JP Morgan had in its possession seismic surveys for a portion of the Trust property since 1999. There are no indications, however, that anyone at JP Morgan had initiated or completed any substantive review of the seismic data for many years to determine if it might be helpful in determining the potential for development of portions of the property. In addition, Ms. Ormond failed to adequately seek the assistance or input of a geophysicist or geological expert in evaluating the seismic data or in assisting in any further evaluation of the property for traditional drilling opportunities and more importantly for horizontal drilling opportunities in a shale formation, even though these resources were readily available to JP Morgan employees and had been utilized for other projects in the past.

39. One of the lessees of a 9,400 acre tract was required to enter into four separate lease shares and enter into a separate lease for each share, which would have increased the number of wells drilled. Instead of enforcing that requirement, JP Morgan allowed the lessee to enter into one lease covering the entire 9,400 acre tract, which reduced the number of wells and reduced the revenue to the Trust.

40. In 2008 Petrohawk approached JP Morgan expressing an interest in leasing all or a significant portion of the mineral interests that were available or could become available by the

lapse of existing leases. At that time, Ms. Ormond was evidently not aware that Petrohawk had publically transformed its operations to being primarily in shale development. Given the sudden interest by one party in leasing substantially all of the Trust mineral interest, JP Morgan did not exercise sufficient due diligence to determine Petrohawk's primary focus on developing shale formations. If such due diligence had been completed, given Petrohawk's intent to focus on drilling opportunities in shale formations similar to the Eagle Ford, JP Morgan should have understood that having a mineral interest the size and scope of the one held in the Trust under lease would have been of great value to Petrohawk and possibly to other entities with similar focus and interest.

41. After being approached by Petrohawk, JP Morgan should have realized that Petrohawk's likely interest was in horizontal drilling shale resource plays. JP Morgan's admitted experience in and knowledge of other shale developments, like Barnett and Haynesville, would indicate that other entities would likely be interested in exploring lease opportunities. Given the historical nature of shale development and past experience, JP Morgan should have known that this increased interest in the mineral interest likely would have led to other lease opportunities and a competitive bidding environment. That same environment in other shale developments significantly raised bonus payments on future leases. This failure became especially acute after Petrohawk completed a successful well on Trust property, as an additional 38,000 acres of Trust mineral interests remained available for lease, and much higher compensation could be expected in connection with the leasing of the remaining 38,000 acres.

42. Even after Petrohawk's public announcement of the success of the completed first well drilled on the Trust property, JP Morgan inexplicably agreed to enter into three subsequent additional leases with Petrohawk on essentially the same terms, if not on less favorable terms for

the Trust, doing so without first undertaking sufficient additional due diligence on the value of the remaining available acreage and without taking meaningful and sufficient steps to encourage other entities which had similar interests in shale formations to review the Trust mineral interest or to seek bids from them.

43. In addition, to failing to properly and prudently manage the leasing of the mineral interests, JP Morgan again inexplicably agreed to grant to Petrohawk the use of the Trust's water rights without requesting or receiving any consideration from the lessee for those water rights. Given the location of the Trust property and the need for vast amounts of water in connection with horizontal drilling involving fracking, these water rights would be of significant value and importance to the operator of a horizontal drilling program and accordingly were of significant value to the Trust.

44. Prior to Petrohawk approaching JP Morgan, a portion of the Trust property had been under lease to Cullen/Hilcorp and Hunt Oil and its predecessors for many years. Evidently, there was some question as to whether the Cullen and Hunt leases had not been maintained under their terms, and in fact Ms. Ormond has indicated that she believed that to be the case. JP Morgan failed to seek timely cancellation of the Cullen leases. In addition, there is evidence to suggest that Petrohawk and others were willing to lease the Hunt acreage if it was determined that Hunt no longer held the leases. JP Morgan did not take the steps necessary to fully investigate the status of the leases, and in spite of that on four separate occasions from 2009 through 2012 JP Morgan agreed to amend the Hunt leases without receiving adequate consideration for agreeing to the amendments and without exploring what consideration Petrohawk and others might have been willing to pay if the acreage was available for lease to it.

45. The materials and the evidence also suggest that in addition to JP Morgan's failures with respect to the leasing of the mineral interests, after leases were in place, JP Morgan did not ensure that it could sufficiently monitor lessees' compliance with the terms of the leases, including failing to properly monitor timeliness of delay rental payments and bank days to determine if a lease was still in force and failing to conduct a routine audit of the operations of the lessees to ensure that proper payments were being made under the leases and to ensure that only proper deductions were being made from those payments. At one point in time, JP Morgan outsourced many of these responsibilities to a third party which failed to properly discharge these duties on behalf of the Trust as agent for JP Morgan. Because of the special and unique circumstances surrounding this asset, JP Morgan's failure to properly manage it is even more blatant.

46. Many of these failures arose due to the acts and omissions of Ms. Ormond, who had limited experience in horizontal drilling resource plays. The only other person within JP Morgan who was directly involved with the management and leasing of the Trust mineral interest at the time that the Petrohawk leases were entered into was Mr. Derrington, a newly hired mineral manager who reported to Ms. Ormond and who had only a "smattering of oil and gas experience". In addition Mr. Hayes-Davis, who was Ms. Ormond's supervisor and was the National Mineral Manager for JP Morgan, had not acted as a mineral manager prior to his hiring by JP Morgan and did not have requisite experience in negotiating or drafting mineral leases.

47. Prior to the time that JP Morgan entered into the Petrohawk leases that were signed by Ms. Ormond, Mr. Hayes-Davis had not reviewed leases and had only limited discussions with Ms. Ormond regarding the terms of the leases. JP Morgan permitted the single largest mineral asset under their management in Texas to be managed by a mineral manager who

had limited experience in horizontal drilling resource plays, by a wholly inexperienced secondary mineral manager and by a supervisor who had little or no experience in negotiating or drafting mineral leases and did not review the leases.

48. The effects of this failure to adequately staff and supervise the direct management of the Trust and the mineral interest was exacerbated by JP Morgan's failure to establish an appropriate and effective committee structure to review any proposals for the lease of the mineral interest in order to ensure the Trust would receive full market value. Ms. Ormond has indicated that she generally discussed the lease offers with other mineral managers within JP Morgan; however, I have not been provided with any documentation to substantiate this assertion. It appears that the only formal approval for the leases came from Ms. Ormond and the inexperienced Mr. Derrington. It is my understanding that JP Morgan had a formal committee structure in place prior to Ms. Ormond's tenure and since her departure from the company has implemented a committee structure. The precise purpose of these committees is to ensure that any lease proposal is properly vetted by other professionals within JP Morgan's mineral management area and by those appropriate professionals outside the company.

49. In addition, at the time that JP Morgan entered into the Petrohawk leases the only minimal control process for reviewing lease proposals that was in place was the requirement that two mineral managers approve a lease proposal prior to entering into a lease. With respect to the December 2008 Petrohawk leases only one mineral manager approved the leases.

50. Based upon the above instances and the review of the materials, and testimony, I am of the opinion that JP Morgan did not perform its activities in managing and leasing the Trust mineral interests and water rights with reasonable and appropriate levels of skill, care, and caution in regard to its duties of prudent professional management of the Trust.

51. Duty of Loyalty. Under Texas law and common law, the Defendants owe to the beneficiaries a strict duty of loyalty in administering the Trust. It is alleged that JP Morgan's conduct in managing the Trust minerals and water rights did not take into consideration the best interests of the beneficiaries and may have been in conflict with the interests of JP Morgan. It is my understanding that testimony and exhibits are being offered in this proceeding to evidence that JP Morgan failed to fulfill the duty of loyalty.

52. Both Ms. Ormond and Mr. Tompkins, who took over for Ms. Ormond in managing the mineral interest, have indicated that throughout their tenures JP Morgan failed to provide the resources and level of personnel necessary to permit them to properly and prudently manage the Trust mineral interest. Because of the burden of administrative matters, Ms. Ormond stated that she was left to deal with granting oil and gas leases on a "fire" basis. This issue was made known on numerous occasions to Mr. Hayes-Davis and those to whom he reported. Despite being aware of these concerns that the mineral managers were not receiving sufficient support to engage in an office with efficiency, JP Morgan would not permit additional positions to be filled. The solution for this issue would have been for JP Morgan to ensure that the mineral management department was fully staffed. Doing so, of course would have necessitated that JP Morgan expend its own funds to pay for the necessary personnel.

53. Ms. Ormond has testified that she had considered not entering into the December 2008 leases and instead waiting until a later date to provide an opportunity to fully review the performance of the completed Petrohawk well and to consider lease options for the remaining 38,000 acres. She indicated that she had not had the opportunity to review the information regarding the successful well that had been completed on the Trust property nor did she wait for the results of the Whittier/Blackbrush seismic shoot which was in the process of being

completed. Ms. Ormond indicated that in spite of her hesitance to enter into the December 2008 leases for reasons that might have benefited the Trust, her supervisors instructed her to enter into the leases. JP Morgan had permitted Ms. Ormond to manage the mineral interest without any meaningful supervision for years; however, in this instance her managers insisted that she enter into the leases in spite of her hesitance.

54. The Alamo National Bank, upon accepting its appointment as the successor trustee in 1951, agreed that it would resign as trustee of the Trust upon the written request of at least fifty- one percent or more of the of holders of the then outstanding Certificates of Beneficial Interest. JP Morgan as successor to The Alamo National Bank was bound by that agreement to resign. JP Morgan was on notice since at least January of 2012 that more than fifty-one percent or more of the holders of the then outstanding Certificates of Beneficial Interest had requested JP Morgan to resign. JP Morgan breached that agreement and failed to resign. In doing so, they precluded the timely appointment of a successor trustee to ensure that the Trust assets could be properly managed going forward and continued to charge the Trust for trustee fees and commissions even after receiving the request for resignation. Not only did JP Morgan receive these fees, the beneficiaries were forced to expend attorney's fees in an attempt to force JP Morgan to acknowledge that it was no longer trustee and to facilitate the transfer of the Trust to a successor trustee.

55. In negotiating with JP Morgan for all of the leases, Petrohawk asked Ms. Ormond to keep their leasing activity confidential. Representatives of Petrohawk have testified that the reason for the confidentiality was their belief that if it was revealed that Petrohawk was actively seeking lease opportunities; the consideration they would need to pay to obtain the leases would likely increase substantially. JP Morgan did not owe a duty of confidentiality to Petrohawk, yet

Ms. Ormond agreed to their request and continued to keep the leasing activity confidential even from the Trust beneficiaries, when disclosing the fact that a major company was interested in the Trust mineral interest could have substantially increased the compensation received by the Trust.

56. By 2007, Petrohawk had sold essentially all of its interest in conventional wells and had publically announced that it was going to focus primarily on horizontal drilling shale resource plays. In February of 2008, JP Morgan Chase Bank, N.A. was a participant lender in a \$1 billion line of credit facility to Petrohawk. Between February 2008 and September of 2008 the line of credit facility had increased to \$1.5 billion. This relationship between JP Morgan and Petrohawk would have been easily discovered had JP Morgan completed any meaningful due diligence on Petrohawk prior to entering into leases with Petrohawk. This knowledge would have caused JP Morgan to take further steps to ensure that the Trust received the full market value for the lease of the mineral interest. In addition, it would have been necessary for JP Morgan to notify the beneficiaries of this material fact regarding the management of the Trust and the mineral interest.

57. In a separate matter in 2009, JP Morgan Chase Bank, N.A. and Pioneer Resources were co-defendants in a lawsuit where the beneficiaries of a trust alleged that the bank had conflicts of interest and breached its fiduciary duties in connection with the management of two mineral leases. One of the allegations was that a commercial relationship between Pioneer and the bank adversely affected the bank's management of the trust's mineral assets. In April 2009, the lawsuit was resolved by the co-defendants paying a substantial sum to the beneficiaries. In 2009, 15,000 acres of the Trust property were under leases ("Cullen Leases") that were controlled by Pioneer. In April of 2009, the same month that the other matter was settled, JP Morgan filed a suit against Pioneer alleging that Pioneer had not properly developed the

interests. Pioneer filed a \$39 million counterclaim alleging that the suit caused the Cullen Leases to be omitted from sale of a portion of Pioneer's Eagle Ford assets to Reliance. It is my understanding that JP Morgan Chase Bank at the time had significant commercial and lending relationships with Pioneer and Reliance. JP Morgan failed to disclose any of these relationships to the beneficiaries and those entities may have profited by the actions of JP Morgan in its role as trustee.

58. JP Morgan was entitled to charge a 2.5% of disbursements for "routine services and responsibilities as Trustee, including taking title of trust properties, ordinary management of trust properties, assessing of the trust properties for taxation, appearing before boards of equalization, [and] receiving, checking and disbursing of the royalties from trust properties." They could also charge a "reasonable fee" for "extraordinary services which the Trustee may be called upon to perform in connection with the trust estate". It is my understanding that JP Morgan was charging 2.5% of receipts rather than only on disbursements and was charging a fee of 7.5% of bonus lease income which likely is in excess of the fees indicated on their published fee schedule.

59. Duty of Full Disclosure. JP Morgan had a common law duty to keep the beneficiaries reasonably informed as to the status of the Trust administration and as to non-routine transactions having significant impact on the Trust and its beneficiaries. In addition, when requested, they had a duty to reasonably provide the beneficiaries with requested information and documents concerning the administration of the Trust. A trustee has the duty of providing beneficiaries with full disclosure of material information which may affect their interests. The trustee should disclose these matters to the beneficiaries before the transaction occurs, where possible. Testimony and documents reveal a recurring pattern of a lack of

disclosure regarding leasing activities and the overall management of the Trust mineral interest and water rights.

60. In spite of the primary asset of the Trust being the mineral interest which made the management of these assets of understandable interest and concern to the beneficiaries, JP Morgan failed to disclose to the beneficiaries prior to entering into the May and July Petrohawk leases that they were considering leasing 50,000 acres to one entity and later failed to fully disclose prior to the December Petrohawk leases that they were going to lease the remaining 38,000 acres to the same lessee. These actions meant that JP Morgan committed essentially the entire remaining available Trust mineral assets to one lessee over a period of seven months without properly and timely disclosing this to the beneficiaries.

61. JP Morgan has indicated that they knew the possibility existed that Hunt Oil may have failed to maintain their leases and that Petrohawk had indicated an interest in leasing those interests, yet JP Morgan failed to disclose these facts to the beneficiaries and also failed to disclose that they were planning to agree to amendments of those leases over a three year period. These were significant events and transactions that should have been disclosed to the beneficiaries.

62. JP Morgan would provide the Trust beneficiaries with annual reports on the administration of the Trust and the mineral interests, which would include a brief summary of activities in the current year. Mr. Finger would review the information from the Railroad Commission and would compile a summary of prior year activity. The report for 2007 was delivered to the beneficiaries in August of 2008, by which time the May and July Petrohawk leases had been executed. Although lessees of other portions of the Trust property were identified by name in the report, JP Morgan did not provide the beneficiaries with the identity of

Petrohawk as the lessee of the May and July leases. As noted earlier, Ms. Ormond had agreed with Petrohawk to keep their leasing activity confidential; however, she had a duty to disclose this material activity to the beneficiaries, including treating each of the leases and lessees the same for disclosure purposes.

63. JP Morgan would also provide monthly reports to the beneficiaries. In 2012, Mr. Finger in preparing one of the reports notified Mr. Tompkins and others at JP Morgan that Cheyenne Petroleum had a significant well completion in the Pearsall Shale formation and that the Pearsall Shale might become a target for drilling on the Trust property. Mr. Hayes-Davis instructed Mr. Finger that he was not to include this information in the report to the beneficiaries.

64. Executive management at JP Morgan knew that the Houston, San Antonio and Dallas mineral management offices were seriously understaffed and that in the view of Ms. Ormond the understaffing was affecting the proper management of the Trust assets. Mr. Herford, who preceded Mr. Hayes-Davis as the National Mineral Manager, and Mr. Hayes-Davis acknowledged that account load for each mineral manager was too high. JP Morgan never disclosed these staffing issues to the beneficiaries. Proper disclosure of these issues would have permitted the beneficiaries to understand how their interests might be adversely affected. Instead of disclosing the issues and providing the beneficiaries with a plan to remedy the issues, JP Morgan chose not to disclose or even address the staffing shortages and in fact consolidated their operations resulting in the closing of the San Antonio office.

65. JP Morgan failed to provide the beneficiaries with basic information. For example, several beneficiaries asked JP Morgan to provide them with copies of the Petrohawk leases to allow them to review, inspect and understand the leases. JP Morgan refused, contending that the form of the lease was JP Morgan's proprietary property and that the beneficiaries were not

entitled to copies of the leases. These leases directly affected the primary assets of the Trust which in turn directly affects the interests of the beneficiaries.

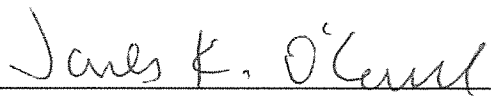
66. At some point, the executives at JP Morgan made the determination that managing the Trust was no longer profitable and that JP Morgan would either resign as trustee or alternatively either restructure the form of the Trust or sell the assets of the Trust outright and terminate the Trust. These decisions would have affected the very nature of the Trust and its assets, directly affecting the interests of the beneficiaries. At that point, JP Morgan owed a duty to the beneficiaries to fully advise them of their intent to sell the assets, resign as trustee or substantially alter the Trust. JP Morgan did not then disclose this to the beneficiaries, but further compounded the breach of their duties by not advising the beneficiaries that it had in fact retained the services of a consultant and a large law firm to offer JP Morgan advice on the various options that JP Morgan was contemplating.

67. The duty of loyalty requires that a fiduciary place the interests of the Trust and its beneficiaries ahead of those of the trustee. The duty of full disclosure requires a fiduciary to keep the beneficiaries reasonably informed as to the status of the Trust administration, and to disclose non-routine transactions having significant impact on the Trust and its beneficiaries. Based upon evidence and testimony, I am of the opinion that JP Morgan failed to exercise a reasonable and sufficient level of care, skill and caution in the management of the Trust to ensure that it placed the interests of the Trust and its beneficiaries ahead of its own and to ensure that it made full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

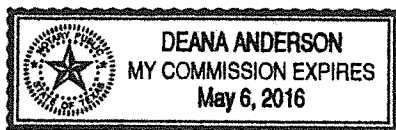
SUMMARY

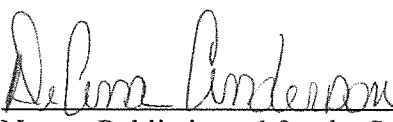
68. From the above analysis and materials reviewed, I am of the opinion that the actions, omissions and decisions of JPMorgan, as Trustee of the South Texas Syndicate Trust, did not rise to a reasonable level of skill, care, and caution to fulfill its duty with (1) prudence in administration, (2) loyalty, honesty and fair dealings to the Trust and its beneficiaries, and (3) full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

FURTHER AFFIANT SAYETH NOT.


James K. O'Connell

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.




Notary Public in and for the State of Texas

My commission expires:

May 6, 2016

TAB 3

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF ROBERT E. LEE, III

STATE OF TEXAS §

2

COUNTY OF DALLAS

22

2

On this day before me personally appeared Robert E. Lee, III, known to me, who did
depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

BACKGROUND AND QUALIFICATIONS

2. As described more fully below, my professional experience draws from over twenty-three years of active engagement in business development activities, asset management and wealth creation in both the oil and gas and real estate sectors.

3. After a brief oil and gas operations internship at Marshall Oil Corporation where I “cut my teeth” learning the industry practice of new venture acquisition, lease

administration, field development, drilling and production, I founded my first company in 1990, REL Energy, Inc., (1990-1995). The entity objective included non-operated oil and gas resource play discovery, asset valuation, acquisition, optimization and disposition of oil and gas holdings to accelerate future investment and overall portfolio value.

4. I direct and oversee multiple personal Lee family trusts and business entities engaged in oil and gas investment, leasing, development drilling and production. I presently serve in the following capacities, safeguarding value and promoting each entity's continued growth and development: President, REL Resources, Inc.; Manager, CARROB, L.L.C.; Trustee, Lee Family Trusts.

5. I am accountable for the active marketing of mineral interests held in Colorado, Louisiana and Oklahoma, the valuation and assessment of new ventures and the on-going operations, facilitating land/lease negotiations to optimize the inherent value for mineral interest ownerships, working interest positions, and I provide due diligence in the administration of lease and well activity and oversight of all fiduciary responsibilities and requirements.

6. I presently serve as Managing General Partner of Las Animas Minerals Ltd. and Prairie Minerals, Ltd. The two partnership entities collectively hold title to 205,000 gross severed mineral acres across eight counties in southeast Colorado.

7. I am currently engaged with Lucian Morrison & Associates to deliver mineral management expertise. Mineral assets under management consist of approximately 815,000 gross mineral acres in Texas, Colorado, Louisiana and Oklahoma. Managed acreage in the Eagle Ford trend consists of approximately 300,000 acres. Our driving principle is to promote, maximize and sustain the value of our clients' mineral ownerships. To consistently deliver, we have established controls to evaluate market trends and transaction risk to negotiate prudent deal

terms. In the development of a lease, we seek legal and industry expertise prior to encumbering the mineral estate under terms of legally binding documents. We actively monitor compliance to leases and contracts to identify violations and non-productive leasehold acreage to pursue Lessor right to reverter or pursue alternate outcomes to ensure mineral interest value is protected. As fiduciary, we manage oil and gas accounting, conduct royalty and production audits and continuous operational and financial reviews to ensure mineral interest rights are protected and values are commensurate to the terms of the lease.

8. I have been engaged by the Plaintiffs in this case as an expert witness relating to the claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. As described in the Plaintiffs' Fourth Amended Petition, claims have been raised therein affecting the management of oil and gas on the properties at issue. I am being compensated at the rate of \$385 per hour for examination of materials produced, consulting with counsel, preparation of a report and any supplemental reports(s) thereto and testimony both by deposition and at trial.

9. My observations and conclusions are based upon my examination of the documents that have been subject to discovery in this case. Discovery is not complete in this case (see Attachment 1); therefore, I reserve the right to review all additional discovery and the depositions of witnesses to modify, amplify or add to the conclusions arising out of the matters discussed herein.

OVERVIEW

10. Based on review of the historical management of the South Texas Syndicate Trust, hereinafter referred to as "STS," JPMorgan Chase Bank, N.A., the Defendant failed to

have the proper mineral management policies and procedures in place to prudently manage the mineral estate asset held in trust. The breach of fiduciary duty identified occurred for the period 2006-2012. The breach of prudent management of the mineral estate has been identified under the subject matter of five (5) core components of prudent mineral management: (1) Failure to have in place decision making processes inclusive of a concise hierarchy chain of command with established controls to evaluate transaction risk of the asset and personnel resources possessing the qualification, expertise and time required to maximize the value of the mineral estate; (2) Failure to timely identify lease violations and non-productive leasehold acreage and pursue Lessor right of reverter or other remedies; (3) Failure of mineral management personnel to properly assess market conditions; (4) Failure to seek legal and industry expertise prior to encumbering the mineral estate under terms of legally binding documents; and (5) Failure to conduct production audits.

Mineral Estate History and Statement of Ownership

11. The Washburn Ranch was purchased by Jed L. Washburn et al. in 1906. The conveyance deed(s) transferred ownership of the Fee Simple Estate, (i.e., Surface Estate and Mineral Estate). The Washburn Ranch is located within the confines of La Salle and McMullen counties in the southern region of the state of Texas.

12. The South Texas Syndicate, a Liquidating Trust, was created by Last Will and Testament in 1931 at the death of Jed L. Washburn.ⁱ

13. The Surface Estate of the Washburn Ranch was severed from the Mineral Estate by virtue of six (6) deeds executed on June 5, 1950. Subsequent to the June 5, 1950 conveyances, “STS” held title to the Mineral Estate and water rights.ⁱⁱ

14. In the above described conveyances, there is expressly reserved to the South Texas Syndicate all of the oil, gas and other minerals of every kind and character in the lands conveyed. There is expressly included within both reservations in favor of the grantor, its successors and assigns, the right of ingress and egress at all times for the purpose of investigating, prospecting, drilling and mining for oil, gas and gaseous substances, together with the right to lay pipelines and build roads.ⁱⁱⁱ

The Trustee Succession is as Follows

15. “The Alamo National Bank - Mbank Alamo, National Association - MTrust Corp., National Association - Ameritrust Texas National Association - Texas Commerce Trust Company National Association- Chase Bank of Texas National Association. The Alamo National Bank changed its name to MBank Alamo, National Association on October 15, 1984. Effective January 1, 1988, pursuant to Vernon's Ann. Civ. St. Article 548(h), MTrust Corp., National Association was substituted for MBank Alamo, National Association as the named fiduciary in virtually all of the MBank Alamo, National Association's fiduciary accounts. MTrust Corp., National Association changed its name to Ameritrust Texas National Association on February 27, 1990. Ameritrust Texas National Association changed its name to Texas Commerce Trust Company, National Association on September 15, 1993. Texas Commerce Trust Company, National Association merged into Texas Commerce Bank, National Association on December 17, 1993. Texas Commerce Bank, National Association changed its name to Chase Bank of Texas, National Association on January 20, 1998.”^{iv} JPMorgan Chase Bank, National Association, hereby certify that on August 1, 2000, Chase Bank of Texas, National Association merged into The Chase Manhattan Bank. JPMorgan Chase Bank, National Association, hereby certify that on November 10, 2001, The Chase Manhattan Bank and Morgan

Guaranty Trust Company of New York merged with the resulting bank named JPMorgan Chase Bank. JPMorgan Chase Bank, National Association, hereby certify that effective November 12, 2004, JPMorgan Chase Bank converted its charter from a New York State-chartered bank to a national banking association doing business under the title of JPMorgan Chase Bank, National Association.”^v

16. It should be noted, there are no legal proceedings or other documents transferring the trusteeship of “STS” from Alamo National Bank through all of the various financial institutions listed above into Chase Bank of Texas, N.A. It is further unclear whether the name changes and/or corporate mergers of the financial institutions necessitate the separate consent of each beneficiary, actual conveyances and/or court approval.

17. The following amended language was added to the terms of the South Texas Syndicate Trust by virtue of the Final Decree in Bexar District Court Cause No. F-62,656:^{vi}

“In case of our resignation or removal, we agree to convey all of the then existing Trust property to such successor as the beneficiaries, or the court in which proceedings may be had for the appointment of a successor, shall appoint.”^{vii}

18. South Texas Syndicate (the Trust) holds title to mineral interests in approximately 132,000 acres located in Texas. All net revenue from oil and gas leases is distributable to the recorded beneficial owners of the 30,000 trust shares issued.^{viii}

19. The Trust's revenue is dependent on the development and production of oil and gas from its leases in two South Texas counties. These products are subject to depletion over their useful lives. Currently, the Trust derives 100% of its gross revenue from the leasing of its mineral interests, and the production and subsequent sale of oil and gas products.^{ix}

20. The Trust uses the cash basis of accounting for financial reporting purposes. Consequently, certain revenue is recognized when received rather than when earned and certain

expenses are recognized when paid rather than when an obligation is incurred. The Trust has no basis in the minerals and, therefore, cost depletion is not applicable.^x

21. The Trust allocates all taxable income to each beneficiary. Therefore, all income tax is paid by the beneficiaries based on their proportionate trust interests.^{xi}

Pioneer/Cullen Lease A & B ~15,797 acres – 12.5% Royalty

22. **Cullen Lease A** was entered into on January 20, 1940, by John T. Pearson, Trustee of “STS”, as Lessor and H.R. Cullen, as designated Lessee (D045845). The oil and gas lease covered lands in La Salle County, Texas containing ~ 7,954.69 acres. The lease provision states, “After the discovery and production of oil in paying quantities, Lessee agrees to proceed with all reasonable diligence to develop the premises for oil and to produce and market the same. The diligence required is such diligence as would be exercised by a reasonably prudent operator under the circumstances, having regard to the interest both of the Lessor and the Lessee.” The Railroad Commission P-17 Permit filed February 16, 1999 indicates four (4) producing wells from Cullen Lease A. No drilling permits were issued for Lease A from November 18, 1997 through November 15, 2005, an eight (8) year period.

23. **Cullen Lease B** was entered into on January 20, 1940, by John T. Pearson, Trustee of “STS”, as Lessor and H.R. Cullen, as designated Lessee (D045845). The oil and gas lease covered lands in La Salle County, Texas containing ~7,954.69 acres. The lease provision states, “After the discovery and production of oil in paying quantities, Lessee agrees to proceed with all reasonable diligence to develop the premises for oil and to produce and market the same. The diligence required is such diligence as would be exercised by a reasonably prudent operator under the circumstances, having regard to the interest both of the Lessor and the Lessee.” The Railroad Commission P-17 Permit filed February 16, 1999 indicates two (2) producing wells

from Cullen Lease B. No permits were issued for Lease B from November 16, 2005 through December 31, 2012 and no new well(s) drilled during this seven (7) year period.

24. The primary lease term expired 60 to 70 years ago. A prudent mineral manager would have terminated the Cullen Lease A prior to 2005, and Cullen Lease B prior to 2007 as a result of failure to develop the acreage as provided in the lease(s). Approximately 13,927 acres should have been released by the Lessee.

Hunt Leases ~10,373 acres

25. The Defendant entered into certain oil and gas leases known as the Hunt Leases. The acreage was leased by means of four (4) individual leases; Hunt STS A (2006), Hunt STS A-692 (2006), Hunt STS A-1391 (2006), and Hunt-Broad Oak STS (2007). No wells were drilled in the primary term of the lease(s) which expired in 2008, 2009 and 2010.

Hunt Lease	Acres	Lease Expiration (1)
Hunt STS A	683.48	3/15/2008
Hunt STS A-692	3,094.08	7/25/2009
Hunt STS A-1391	4,224	7/25/2009
Hunt- Broad Oak STS	2,371	2/26/2010
Total	10,373	

(1)Based on Oil & Gas Minerals Lease(s) - No Amendments

26. A prudent mineral manager would not have amended these leases under the amendment terms granted by the Defendant. The Hunt leases should have been relinquished to the lessor based on the terms of the original lease(s).

2008 - Petrohawk Leases ~79,525 acres

27. The Defendant entered into certain oil and gas leases known as the Petrohawk leases during 2008.

Petrohawk Lease	Lease Date	Term/ Years	Acres	Royalty	Pooling	Bonus / Per Acre
STS West	5/27/2008	2	12,073.48	25%	No	\$150
STS B	5/27/2008	3	12,772.93	25%	No	\$175
STS C	7/16/2008	3	16,903.43	25%	No	\$200
STS A	12/12/2008	5	18,473.04	25%	Yes	\$200
STS D	12/12/2008	5	15,456.66	25%	Yes	\$200
STS North	12/12/2008	5	3,845.31	25%	Yes	\$200

28. The “STS” Mineral Estate is unique as it is contiguous, held under centralized control and management and nearly the size of New York City. ‘STS’ is often referred to as a “Gem” given that many large mineral estates within the U.S. have been divided and sold resulting in smaller parcels with decentralized management and control.

29. At the time the leases were under consideration, Petrohawk was known to be focused on shale development. Shale Plays have created a so called “Land-Grab”, whereas competing oil and gas companies drive the consideration (bonus, royalty and lease terms) to the Mineral Estate owner exponentially higher as the play develops. A prudent mineral manager would consider the risk involved in leasing large blocks of land and protect against potential value loss in terms of bonus payment and other factors that affect the Mineral Estate value subject to the lease. Prior to the May 27, 2008 leases, numerous shale discoveries had occurred within the United States. A prudent mineral manager would consider market and economic trends and review transaction data on recent shale plays to develop a relative measurement of potential mineral interest value.

30. The following excerpt is taken from Hart - Oil & Gas Investor, June 2010, Eagle Ford Joins Shale Boom - Key Players by Don Lyle:

“For comparison, Petrohawk’s average leasehold cost in the Haynesville Shale was \$5,000 per acre with an average estimated ultimate recovery of 7.5 Bcfge per well. Petrohawk's average leasehold cost in the Eagle Ford was \$400 per acre with a 90% average working interest, average estimated ultimate recovery of 5 Bcfge to 6 Bcfge per well.”

31. In my opinion, given Petrohawk's success in previous shale plays, it would be prudent for a mineral manager to grant the May 27, 2008 leases to Petrohawk for its exploratory program subsequent to a review from a geologist, industry experts and legal counsel. The May 27, 2008 leases contained a cumulative 24,846.41 acres or about 31% of the available unleased mineral estate. However, the May 27, 2008 leases should have been modified to include a most favored nations clause, two (2) year primary term, 90 day continuous drilling clause and a maximum of 2,500 acres per lease. The bonus paid per acre for the West Lease and B Lease were \$150 and \$175, respectively which is considered reasonable given the 2007 STS Whittier option agreement provided a bonus of \$225 per acre. The sheer presence of Petrohawk on “STS” would undoubtedly increase interest in the balance of “STS” acreage available to the market.

32. Less than a month after the leases were executed, on June 19, 2008, First Rock, Inc. permitted the STS 241-1H on the West Lease. According to numerous published reports, Petrohawk used First Rock, Inc. to permit the well in an effort to deter competition which increases the compensation required to obtain mineral leases. A prudent mineral manager would immediately understand the importance Petrohawk placed on “STS” acreage in their development plans for the Eagle Ford, given the cost of horizontal drilling and logistics. The fact that Petrohawk was drilling the first horizontal well on “STS” should have sent shockwaves through the Defendants' Trust department and heightened enthusiasm to the Beneficiaries.

33. In my opinion, a prudent mineral manager would not have leased additional “STS” acreage after May 27, 2008 given that a significant portion of the “STS” acreage was encumbered by lease obligations. The Defendant's action to lease the balance of “STS” acreage in 2008 constituted an unfounded position that the Petrohawk wildcat play would prove uneconomic. A prudent mineral manager would continue to monitor drilling and completion reports prior to committing any additional acreage at pre-discovery consideration.

34. Petrohawk permitted the Dora Martin 1H and Donnell 1H on September 5, 2008 and November 22, 2008, respectively. These two (2) wells are located to the southwest and northeast of “STS.” Petrohawk announced the successful completion of the wildcat STS 241-1H on October 20, 2008. The Dora Martin 1H and Donnell 1H were successfully completed in the 1st quarter of 2009 which suggested a majority of the STS lands would be in the fairway.

35. A prudent mineral manager would evaluate the entire “STS” mineral estate post-discovery. This process would include consultation with legal counsel and industry experts to establish a leasing development plan for the acreage not encumbered by a valid lease.

36. A prudent mineral manager would offer the remaining acreage in segments similar to dollar cost averaging to mitigate risk to the value of the Mineral Estate. Based on historical data, it is reasonable to assume a prudent mineral manager would release additional acreage to the market through a competitive bid process subject to the lease terms outlined for the May 27, 2008 lease(s) in the 3rd quarter of 2009 and 2nd quarter of 2010.

37. In my opinion, the Defendant failed to have in place decision making processes inclusive of a concise hierarchy chain of command with established controls to evaluate transaction risk respective of the May 27, 2008 lease(s), July 16, 2008 lease and December 12, 2008 lease(s).

38. Prior to the Eagle Ford discovery, the South Texas Syndicate was often referred to as a "Gem" or "White Elephant". A 132,000 contiguous Mineral Estate with water rights, favorable surface development rights and centralized control and management is very rare. The foresight of the original owners to release personal control and place this property in trust is just as rare. The fact that this asset was mismanaged and allowed to be leased at pre-discovery consideration is a travesty of trust.

39. Attached to my affidavit are true and correct copies of documents referenced herein.

ⁱ D0055430, Mineral Estate History and Statement of Ownership

ⁱⁱ 0014447, Mineral Estate History and Statement of Ownership

ⁱⁱⁱ Excerpt, South Texas Syndicate Described Conveyances

^{iv} Excerpt, Trustee Succession - DO14456

^v Excerpt, Trustee Succession - D I 26644

^{vi} Excerpt, Trustee Succession - DO14456

^{vii} Excerpt, Trustee Succession - DO I 4456

^{viii} Excerpt- D053529

^{ix} Excerpt- D053529

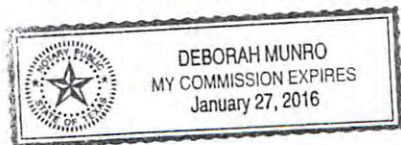
^x Excerpt- D053529

^{xi} Excerpt- D053529

FURTHER AFFIANT SAYETH NOT.

Robert E. Lee, III

Subscribed and sworn to before me, the undersigned notary public, on ^{February} ~~March~~ 27, 2014.



Notary Public in and for the State of Texas

My commission expires:

1-27-16

TAB 4

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

AFFIDAVIT OF CHARLES E. GRAHAM, III

STATE OF TEXAS §
§
COUNTY OF DALLAS §

On this day before me personally appeared Charles E. Graham, III, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness. The documents referenced herein have been provided to Defendants. Copies of certain of the documents are in the Appendix or attached hereto.

2. This affidavit contains my expert opinions related to the Plaintiffs' claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The Plaintiffs have alleged that the mismanagement resulted in below market oil and gas lease transactions with Petrohawk Properties, LP and others on certain mineral rights

administered by the Trust Department of JPMorgan Chase Bank, N.A. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the “STS Beneficiaries”) against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate, a liquidating trust, and Gary P. Aymes (collectively referred to herein as “JPMorgan”). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the hereinafter- identified mineral interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the “South Texas Syndicate Trust”). My opinions on damages that result from JPMorgan’s failure to properly manage the minerals of the South Texas Syndicate Trust are included in my report. At trial, I expect to testify as an expert witness and express opinions related to the Plaintiffs’ maladministration claims in this matter. Furthermore, I plan to sponsor exhibits, related to those opinions, which depict the dollar damages sustained by the STS Beneficiaries that result from the mismanagement of oil and gas mineral rights related to the Eagle Ford Shale formation under the hereinafter-identified parts of the *Washburn Ranch*. I also expect to assist the court and jury by offering opinions on various technical matters that bear on the claims asserted by the Plaintiffs against JPMorgan.

Qualifications and Experience

3. I am the President of Charles E. Graham, III & Associates, Inc.
4. I received my undergraduate degree in petroleum engineering from the University of Texas at Austin. I have also completed continuing education courses on the interpretation of terms that generally appear in oil and gas leases, negotiation of oil and gas lease provisions, royalty payment requirements, administration of oil and gas leases, and other industry courses taught by service companies, major oil companies, and legal associations on all aspects of the oil and gas business.

5. I am a Registered Professional Engineer in the State of Texas, and I am a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

6. Following my graduation from the University of Texas at Austin, I worked as a petroleum engineer for Mobil Oil Corporation in Corpus Christi, Texas. During my tenure at Mobil Oil Corporation, my occupational duties included responsibility for production from Mobil operated oil and gas wells located in Nueces and San Patricio Counties, Texas.

7. In 1974, Dynamic Production, Inc. of Fort Worth, Texas, an independent oil and gas company, employed me. As the Vice President and general manager, I was ultimately responsible for drilling, completion and production of approximately 400 wells located primarily in Texas. I negotiated oil and gas leases and related agreements, and then administered the leases, agreements, and contracts. I was responsible for the marketing of residue gas, crude oil, condensate and natural gas liquids, produced and sold by Dynamic. I also negotiated, and then executed contracts and agreements related to production, gathering, dehydrating, compressing, treating, processing and transportation of various hydrocarbon products. I managed non-operated working interests in another 300 wells located in Texas, Louisiana, Oklahoma and New Mexico.

8. In 1987, I founded Charles E. Graham, III & Associates, Inc., a professional consulting petroleum and engineering firm providing a wide variety of services to clients, the petroleum industry and its associations including: trend / reservoir / field / lease studies, reserve estimates, projection of future production rates, economic valuations, appraisals, fair market value determinations of both producing and non-producing property interests, contract evaluations, engineering representation before oil and gas regulatory agencies, expert witness support and testimony in cases regarding a variety of oil and gas issues, strategic planning for

leasehold development, due diligence, audits, oil and gas lease assessments, and hydrocarbon measurement practices. I continue to provide clients, both mineral owners and oil companies, with consultation on various provisions in oil and gas leases and related agreements. Furthermore, my resume is attached to my report as Exhibit “A-1.” A summary of the cases that I have either given a deposition or testified at trial during the past four years is attached to my report as Exhibit “A-2.”

Material Examined in this Study

9. I have reviewed all of the materials listed on Exhibit “B,” attached to my report, and I have made a technical study of the Eagle Ford Shale trend and analogous unconventional shale plays. Engineering and geological data related to the discovery and chronological development of hydrocarbon reserves in the Eagle Ford Shale formation underlying parts of South Texas was acquired from the technical sources listed on Exhibit “B” and studied. I have relied on my experience with oil and gas lease transactions, and work within unconventional shale plays. I have analyzed documents produced by JPMorgan and others in this matter. Depositions taken by the Plaintiffs’ legal representatives were also reviewed. The materials I have examined in this matter are listed on Exhibit “B” attached to my Expert Witness Report.

Overview of Opinions

10. In my opinion, JPMorgan should not have granted the oil and gas leases on minerals under certain parts of the *Washburn Ranch* to Petrohawk Properties, LP in July 2008 and December 2008. After May 27, 2008, there was no valid business purpose for JPMorgan to agree to noncompetitive oil and gas lease offers for the remaining unleased minerals under the *Washburn Ranch*. Furthermore, the actual terms and provisions in the two May 27, 2008 Oil and Gas Leases to Petrohawk Properties, LP did not even reflect the historical practices of JPMorgan during its administration of unleased minerals owned by the South Texas Syndicate Trust. For

example, in the summer of 2007, JPMorgan agreed to lease certain minerals under the *Washburn Ranch*, for a bonus of \$225.00 per acre, in separate oil and leases, each with a two year primary term, that would cover a maximum of 2,500 acres each (actual provisions in the Geophysical and Lease Option Agreement dated June 13, 2007 with Whittier Energy Company, et al.).

11. After May 27, 2008, Petrohawk Properties, LP paid JPMorgan \$200.00 per acre as bonus for leases on certain minerals, owned by the South Texas Syndicate Trust, in 54,678.44 acres under the *Washburn Ranch* situated within La Salle and McMullen counties. It has never been a prudent business practice to grant oil and gas leases without the exercise of due diligence and the implementation of processes that foster competition. The diminutive amounts received after May 27, 2008 for oil and gas leases on minerals under the *Washburn Ranch* by JPMorgan result from mismanagement of the property interests owned by the South Texas Syndicate Trust. Furthermore, JPMorgan should have secured partial releases of minerals under the 1940 H.R. Cullen STS Oil and Gas Leases before discovery of commercial hydrocarbon reserves in the Eagle Ford Shale formation and should not have extended the primary terms of certain oil and gas (Hunt Oil / Broad Oak / Texas Lone Star) leases granted in 2006 and 2007. Failure to secure releases and the arbitrary extensions of primary terms have resulted in the loss of substantial bonuses and the opportunity to upgrade outdated oil and gas lease provisions to reflect the market after the Eagle Ford Shale discovery and the subsequent expansions of the new shale play beyond the *Washburn Ranch*.

12. In my opinion, the STS Beneficiaries have suffered substantial dollar damages as the direct result of JPMorgan's failure to lease oil and gas mineral rights in the Eagle Ford Shale formation and other formations under the *Washburn Ranch* after due diligence and through competitive bid processes. The mistakes and errors by JPMorgan in the administration of certain

mineral interests, owned by the South Texas Syndicate Trust, that have caused monetary damages to the STS Beneficiaries include, but are not limited to, the following:

- a. failure to employ, consult with or involve knowledgeable attorneys, landmen, geologists, geophysicists, petrophysicists and engineers with experience in shale plays;
- b. failure to study analogous shale plays or consult with others that have made those studies;
- c. failure to study the Eagle Ford Shale trend or consult with others that have made those studies;
- d. failure to study the Eagle Ford Shale formation under the *Washburn Ranch* or employ others to conduct such a study;
- e. failure to pursue and secure partial releases of oil and gas mineral rights under certain tracts, held or previously held by production, within the *Washburn Ranch* or employ others to obtain the releases;
- f. failure to identify the companies, financially capable, with experience in developing the Eagle Ford Shale or analogous shale resources, and involve them in a competitive process for unleased minerals;
- g. failure to recognize the negative impact on the value of the minerals under its control by leasing certain mineral interests without any understanding of the potential value and its negative effect on the ability to secure market oil and gas lease terms;
- h. failure to prepare, or have prepared, oil and gas leases that reflect market terms and provisions for certain minerals under the *Washburn Ranch*;
- i. failure to prepare, or have prepared, surface use agreements or similar agreements that reflect market terms and provisions for sales of fresh water to lessees of minerals under the *Washburn Ranch*; and
- j. failure to employ or retain others to employ a competitive process to identify the market value of oil and gas mineral rights in the Eagle Ford Shale under the *Washburn Ranch*.

13. Based on my work in this matter, it is apparent that JPMorgan failed to investigate, study, and explore the market for unleased minerals within the Eagle Ford Shale formation, generally and under the *Washburn Ranch*, specifically.

14. In my opinion, the dollar damages sustained by the STS Beneficiaries would reflect the bonuses, lost royalty and fair market value, and other monetary benefits achieved through competitive leasing, after adequate due diligence, had JPMorgan properly managed the minerals and acted in the best interest of the STS Beneficiaries, less the monetary considerations actually derived from the existing oil and gas leases, and fees, if any, directly attributable to an oil and gas lease that resulted the proper administration of unleased minerals owned by the South Texas Syndicate Trust. Furthermore, JPMorgan should have secured partial releases that would include the oil and gas rights within the Eagle Ford Shale formation under other parts of the *Washburn Ranch*. In my opinion, the dollar damages suffered by the STS Beneficiaries would also reflect the bonuses, lost royalty and fair market value, and other monetary benefits achieved through competitive leasing, after adequate due diligence, had JPMorgan properly managed the minerals by securing partial releases that would have included the Eagle Ford Shale from certain oil and gas leases in existence before May 27, 2008, less the fees, if any, directly attributable to an oil and gas lease that resulted the proper administration of unleased minerals owned by the South Texas Syndicate Trust.

15. In my opinion, JPMorgan has failed to exercise good judgment when it continued to lease minerals, owned by the South Texas Syndicate Trust, after the May 27, 2008 Oil and Gas Leases to Petrohawk Properties, LP. In fact, JPMorgan had leased, or committed to lease, all of the minerals under the *Washburn Ranch* by the end of 2008. With the proprietary knowledge that Petrohawk Energy Corporation was interested in pursuing a horizontal test well under the western part of the *Washburn Ranch*, nevertheless, JPMorgan continued to lease minerals for diminutive bonus amounts. Furthermore, with the knowledge that Petrohawk discovered the Hawkville (Eagleford Shale) Field on the completion of a gas well located on the

Washburn Ranch, JPMorgan continued to lease minerals for miniscule bonus amounts. In fact, all of the lease transactions with Petrohawk after May 27, 2008 resulted in substantially below market bonuses and inferior oil and gas lease provisions. JPMorgan exercised bad judgment to proceed with additional transactions on unleased minerals without the proper exercise of due diligence. Had JPMorgan properly managed the mineral assets of the South Texas Syndicate Trust through the exercise of due diligence, the values of the minerals leased after May 27, 2008 would have been substantially greater and yielded hundreds of millions of dollars to the STS Beneficiaries. In fact, the appropriate due diligence process would have led the Trustee, JPMorgan, to lease approximately 37,500 acres and 41,400 acres of the hereinafter-identified minerals, owned by the South Texas Syndicate Trust under the *Washburn Ranch*, in November 2009 and June 2010, respectively.

South Texas Syndicate Trust's *Washburn Ranch*

16. In 1906, Mr. Jed L. Washburn and others bought the *Washburn Ranch*, approximately 132,000 contiguous acres of land, located in La Salle and McMullen counties (referred to herein as the "*Washburn Ranch*"). The South Texas Syndicate Trust was formed after Mr. Washburn died in 1931. In 1950, the surface of the *Washburn Ranch* was sold. The minerals and other rights were reserved in the following deeds that covered the surface of the *Washburn Ranch*:

<u>Date</u>	<u>Grantee</u>	<u>Acres</u>
June 5, 1950	G.A. Lowrance	35,860.20
June 5, 1950	A.B. Alexander	11,810.88
June 5, 1950	D.C. Kenley, et al.	24,664.39
June 5, 1950	Olmitos Ranch, Inc.	44,937.93
June 5, 1950	C.L. Brown	6,020.96
June 5, 1950	G.A. Lowrance	8,961.71

17. In the foregoing deeds, the South Texas Syndicate Trust also reserved the water from any well drilled by a lessee of any oil and gas lease that covered minerals under the *Washburn Ranch*. Said reservation was applicable to the mineral fee of the South Texas Syndicate Trust.

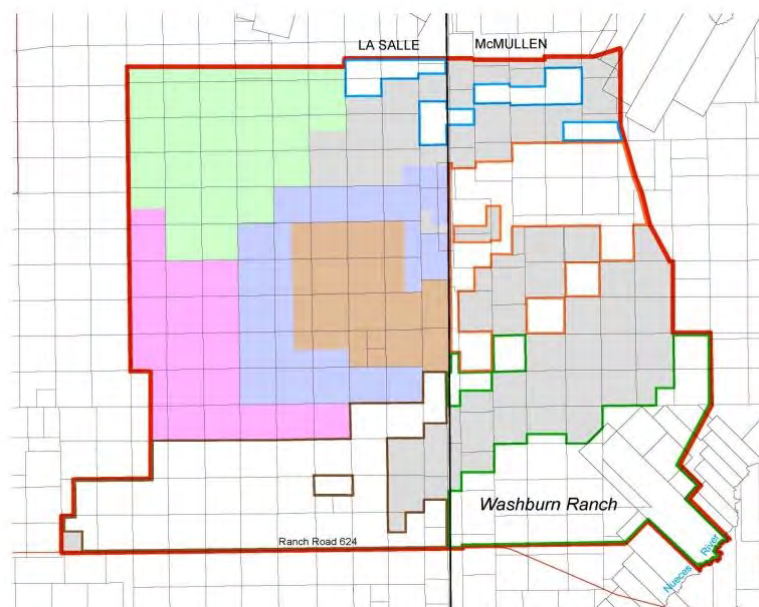
18. The Alamo National Bank was appointed Successor Trustee of the South Texas Syndicate Trust on February 12, 1951 by order of the 73rd Judicial District Court in Bexar County, Texas. Later, the South Texas Syndicate Trust was determined to be a liquidating trust. JPMorgan and its predecessor banks have acted as Successor Trustee since that date.

19. During the relevant period of Plaintiffs' complaint, JPMorgan Chase Bank, N.A., as Trustee of the South Texas Syndicate, a liquidating trust, managed approximately 131,904.02 acres of minerals, located under the *Washburn Ranch*. Approximately 60% of the minerals (78,136.57 acres) are located in La Salle County and 40% of the minerals (53,767.45 acres) are located in McMullen County.

20. After JPMorgan made the May 27, 2008 STS West Oil and Gas Lease and the May 27, 2008 STS East Oil and Gas Lease with Petrohawk Properties, LP, only the minerals under approximately 50% of the *Washburn Ranch* remained unleased or free from options to lease. Given the uncertainty of the future value of the unencumbered minerals due to the unknown results, at the time, from Petrohawk Energy Corporation's drilling under a small part of its 24,846.41 leased acres of the *Washburn Ranch*, JPMorgan should not have made any additional oil and gas leases, options to lease, oil and gas lease amendments, or ratifications of any existing oil and gas leases until the value of the remaining unleased minerals could be ascertained through the due diligence process. Technical due diligence should have been timely performed to further evaluate the Eagle Ford Shale potential under the unleased portions of the

Washburn Ranch. Had JPMorgan not extended the primary terms of the Hunt Oil/ Broad Oak / Texas Lone Star STS Leases in July 2009, an additional 8% of the minerals under the *Washburn Ranch* would have been available to lease after adequate due diligence was complete.

21. I have prepared a map of the *Washburn Ranch* to represent JPMorgan's view of the leased minerals at May 27, 2008. The *Washburn Ranch* has been outlined in "red". The area covered by the 1940 H.R. Cullen STS Oil and Gas Leases is colored "light green" on the map. The "gray" colored areas represent various oil and gas leases that existed before May 27, 2008. The May 27, 2008 STS West Oil and Gas Lease and May 27, 2008 STS East Oil and Gas Lease to Petrohawk Properties, LP are colored "light magenta" and "light blue", respectively. Finally, the area shaded "light brown" represents the location of the acreage included in the Geophysical and Lease Option Agreement dated June 13, 2007. The white areas within the "red" outlined *Washburn Ranch* are notional depictions of unleased minerals after JPMorgan made two leases on approximately 25,000 mineral acres at May 27, 2008. The map of the *Washburn Ranch* follows:



22. When JPMorgan executed two oil and gas leases to Petrohawk Properties, LP on May 27, 2008, significant portions of the minerals, owned by the South Texas Syndicate Trust, were already leased (held by production or within the primary term) or under options to lease. Significant portions (approximately 13,927 acres) of the 1940 H.R. Cullen STS Oil and Gas Leases should have been released prior to May 27, 2008. The gray area (approximately 10,372 acres) in the northeastern part of the Washburn Ranch represents the Hunt Oil / Broad Oak / Texas Lone Star STS Leases

Eagle Ford Shale

23. The economic potential of the play within the Eagle Ford Shale formation was inconspicuous at first. In fact, Petrohawk Energy Corporation (referred to herein as “Petrohawk”) used First Rock, Inc. (referred to herein as “First Rock”) to acquire oil and gas leases within the potential trend to avoid having to compete with other oil companies for mineral rights. Competition would have driven bonuses significantly above the historical conventional prospect rates for wildcat acreage. Furthermore, the mineral owners in the trend would have realized earlier that Petrohawk had identified another potentially productive unconventional resource shale play. The secret effort conducted during 2008, led by geologist Gregg Robertson (President of First Rock, Inc.), a friend of Richard K. Stoneburner (Chief Operating Officer of Petrohawk Energy Corporation), resulted in oil and gas leases on 150,000 acres of minerals in the soon to be discovered Eagle Ford Shale play. Gregg Robertson was indispensable to Petrohawk in the acquisition of oil and gas leases without tipping off the competition. The stealth operation continued after the discovery well was drilled under the operator name of First Rock on the *Washburn Ranch*. According to Gregg Robertson, the bonus prices for oil and gas leases jumped to \$475.00 per acre after Petrohawk publically announced the test results from the discovery well, STS No. 1, in the Eagle Ford Shale formation. Prior to the significant discovery

announcement in October 2008, oil and gas leases in La Salle and McMullen counties were generally acquired for \$225.00 per acre.

24. Obviously, JPMorgan knew that Petrohawk was acquiring oil and gas leases under a part of the *Washburn Ranch*. In fact, JPMorgan, acting in its capacity as Trustee of the South Texas Syndicate, a liquidating trust, executed two oil and gas leases with an affiliate, Petrohawk Properties, LP. The two oil and gas leases, both leases dated May 27, 2008, covered 44 tracts of land, an aggregate total of 24,846.4075 acres of minerals, in the *Washburn Ranch*. JPMorgan knew before Petrohawk's competitors that Petrohawk was acquiring oil and gas leases in La Salle County. JPMorgan also knew that First Rock, on behalf of Petrohawk Properties, LP, planned to drill horizontally into an unidentified formation in an undiscovered "wildcat" field at a specific location on the *Washburn Ranch*. Despite an early understanding of the activities planned, and then conducted by Petrohawk and First Rock on the *Washburn Ranch*, JPMorgan continued to transact with Petrohawk, after May 27, 2008, as though nothing significant had happened or would ever happen. Failure to recognize through due diligence the potential, positive financial impact on the STS Beneficiaries that could result from the interest of different oil companies in the oil and gas rights under the *Washburn Ranch* has caused substantial damages to the Plaintiffs.

25. If JPMorgan had timely exercised due diligence, the results would have been reflected in all subsequent transactions related to the Eagle Ford Shale after May 27, 2008 with Petrohawk or other oil companies.

26. In fact, the well drilled on the Petrohawk STS West Lease was the first horizontal well ever drilled under the *Washburn Ranch*. Had JPMorgan timely exercised its right to

technical data on the discovery well for the Eagle Ford Shale, due diligence would have revealed that the *Washburn Ranch* was located within the new Eagle Ford Shale play.

27. On October 20, 2008, Petrohawk announced a significant new natural gas field discovery in the Eagle Ford Shale formation. This new field discovery was located immediately south of the Stuart City Field, which is on the Edwards Reef Trend that extends across South Texas. The discovery well for the Hawkville Field was located in La Salle County. In fact, the discovery well was located on the *Washburn Ranch*. The STS No. 1 was drilled to an approximate true vertical depth of 11,300 feet during which extensive coring and open hole logging was performed inside a pilot hole. A vertical pilot hole is normally drilled through the prospective reservoir to effectively define the reservoir depth and thickness prior to drilling the horizontal section. Petrohawk drilled a 3,200-foot horizontal lateral from the pilot hole into the Eagle Ford Shale formation and subsequently fracture stimulated the penetrated interval with over two million pounds of sand in ten stages. Reports indicated that the STS No. 1 was placed on production in October 2008 at a rate of 7.6 million cubic feet of natural gas per day and 250 barrels of condensate per day.

28. This significant discovery was responsible for the emphasis on leasing of mineral interests within the newly discovered Eagle Ford Shale resource trend. Resource plays are basically hydrocarbon systems where the source and the reservoir are the same rock formation. These source-reservoir formations are generally continuous and represent areas of organic matter preservation as reflected in organic richness. In a conventional system, the source rock generates the crude oil and natural gas that ultimately migrate from the source rock into a reservoir rock. Operators have historically recovered crude oil and natural gas from only the reservoir rock. In

the case of an unconventional resource shale play, operators now recover crude oil and natural gas from the source rock itself.

29. The primary differences between modern developments of hydrocarbons held within shale or stored within conventional reservoirs are the extensive uses of horizontal drilling and high-volume hydraulic fracturing. A key element in the emergence of shale hydrocarbon production has been the refinement of cost-effective horizontal drilling and hydraulic fracturing technologies. Horizontal drilling provides more exposure to a formation than does a vertical well. The other technological key to the economic recovery of crude oil and natural gas from shale is hydraulic fracturing, which involves the pumping of a fracturing fluid under high pressure into a shale formation to generate fractures or cracks in the target rock formation. This allows the crude oil and natural gas to flow out of the shale to the well in economic quantities. The mass appeal of recovering crude oil and natural gas from unconventional resources has led to the discovery and continued development of the Eagle Ford Shale resource in South Texas.

30. The Eagle Ford Shale is a Cretaceous age, organic rich formation, which underlies several counties in South Texas. The Eagle Ford Shale is located stratigraphically above the Buda Limestone and below the Austin Chalk. Thickness of the calcareous Eagle Ford Shale is approximately 250 feet. The Eagle Ford Shale has long been seen as a major petroleum source, principally for the Austin Chalk, the underlying Buda and for shallower Cretaceous and Tertiary horizons, but after October 2008, it became a reservoir target of its own. Had JPMorgan conducted a study of the *Washburn Ranch* and the Eagle Ford Shale play, the due diligence would have revealed that all of the *Washburn Ranch* was located within the trend.

Haynesville Shale

31. The Eagle Ford Shale trend has been historically identified as an analog to the Haynesville Shale. In my opinion, JPMorgan should have made a study of trade journals and general circulation publications that reported on the activity within the Haynesville Shale trend. Particularly, the immediate rise in bonuses paid for mineral rights within the Haynesville Shale trend after discovery.

32. On May 6, 2008, Steve Toon, staff editor for the *Oil and Gas Investor*, described Petrohawk's activity within the unconventional resource play in northwest Louisiana in an article titled "Grabbing For Haynesville: Petrohawk, Chesapeake Battle For Acres". Excerpts from this article follow:

Nigh two months after the word "Haynesville" went public, discoverer Chesapeake Energy and challenger Petrohawk Energy are in a battle royale for mineral rights in the once-secret shale play in northwestern Louisiana and East Texas.

On Friday, Chesapeake shouted that it has amassed an additional 100,000 acres in the play since mid-March when it first announced the discovery..., and now holds upward of 300,000 acres with a goal of 500,000. "Our land acquisition machine rolls on," states Chesapeake CEO Aubrey McClendon. Today, Petrohawk punched back, stating that it now holds commitments for 150,000 acres, up from 70,000 in early April, with a goal of 400,000.

If you own a front porch in the neighborhood, brew up a pitcher of iced tea and expect smiling visitors. Feel free to rock and chat awhile, as the price per acre goes up by the minute.

McClendon says the acreage values have escalated "dramatically" in the past couple of months, "and so we have the option of either dropping out or to continue in the play. We think it makes sense to continue." He says Chesapeake is starting out with 300,000 acres in the Haynesville "at a cost basis that will always be very, very substantially below" any basis anyone else can approach. He equates 1,250 drill sites for each 100,000 acres. "Locking down these acreage positions early is very important," he says.

Chesapeake has drilled eight wells to date, with three waiting on completion and all eventually drilled horizontal. “We are very happy with our well results today, but I doubt that our first four horizontal wells are going to be the best four wells we ever drilled in this play,” McClendon says.

Petrohawk has identified the Haynesville as one of its four core operating areas. CEO Floyd Wilson says, “An early mover advantage clearly rests with Petrohawk in the evolving Haynesville shale play. We have begun a significant multi-year investment in this exciting new resource opportunity.”

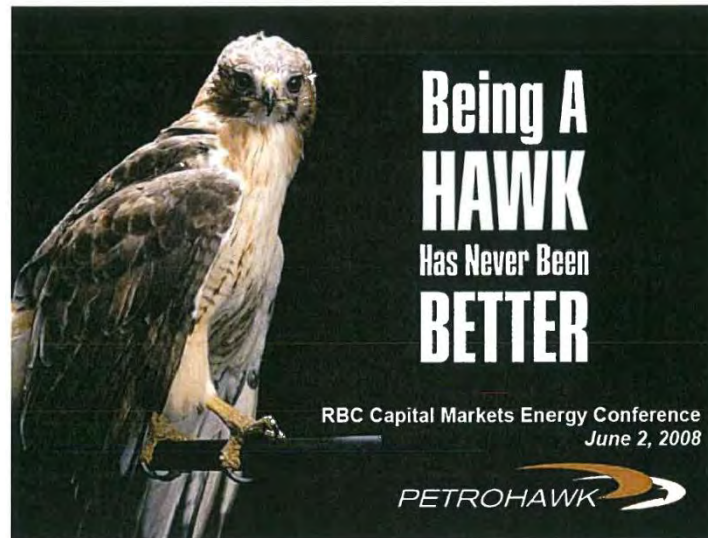
In fact, Petrohawk increased its planned capital budget for 2008 to \$1.3 billion-up from \$800 million-with \$384 million earmarked for the Haynesville; a total of 30%. Of that, \$150 million is set aside for leasehold acquisitions and the rest for accelerated drilling.

Petrohawk is currently drilling its first horizontal well, a 4,000-foot lateral. A second rig is expected to begin drilling in mid-May with three additional rigs staging in for a total of five to six rigs running by 4Q08 with 10 wells drilled. Petrohawk expects to have gained 2,500 drilling locations in that time.

33. The foregoing article about Petrohawk, a shale play, competition and bonuses, was published three weeks before JPMorgan made the following two oil and gas leases with Petrohawk Properties, LP:

	<u>STS West Lease</u>	<u>STS East Lease</u>
Date	May 27,2008	May 27,2008
Acres	12,073.48	12,772.93
Bonus	\$1,811,021.25	\$2,235,263.19
Bonus \$/Acre	\$150.00/Acre	\$175.00/Acre
Primary Term	2 Years	3 Years

34. On June 2, 2008, a Petrohawk presentation reflects the emphasis on “High Quality Resource Focused Assets” and an increased capital budget from \$800 million to \$1.3 billion (86% allocated to core resource areas). By now, Petrohawk was concentrated on the development of unconventional shale resources. A slide from the presentation follows:



35. On June 19, 2008, First Rock applied to the Railroad Commission of Texas (RRC) for a permit to drill a horizontal well on lands described in the Oil and Gas Lease dated May 27, 2008, by and between the South Texas Syndicate, a liquidating trust, by JPMorgan Chase Bank, N.A., Trustee and Petrohawk Properties, LP. Said lease covered twenty tracts of land; a total of 12,073.475 acres. The permit to drill the STS No. 1 well (API No. 42- 283-32144) to a measured depth of 12,000 feet was issued to First Rock by the RRC on July 9, 2008. The surface location for the horizontal well was located on Tract 9 of the Petrohawk STS West Lease in Survey 98, A-976. The terminus of the STS No. 1 well was located under Tract 6 of the Petrohawk STS West Lease in Survey 83, A-241. The RRC permit (No. 664875) for the First Rock No. 1 STS indicated that the proposed horizontal well would be a wildcat. It was significant that no public disclosure was made with respect to Petrohawk's first horizontal well.

36. On June 20, 2008, Tristone Capital Co. provided an update on the Haynesville Shale play. Excerpts from the *Industry Update* titled "Welcome to Haynesville, Population: 60 Tcf" follow:

Latest Shale Play to Explode onto the Airwaves Could Be amongst the Largest. The Lower Bossier/Haynesville Shale was officially unveiled just three short months ago and could rank amongst the largest North American shale plays based on preliminary estimates. According to Chesapeake Energy (CHK-N, OP), the play “could potentially have a larger impact on the company than any other play in which it has participated to date”...

Stepping Out, Limb Appears to be Thicker than Initially Thought. Since the play first surfaced, we have been reluctant to officially layer in any potential value to our NAVs given the lack of actual well results, drilling economics, and other specific information we typically prefer to have when accessing valuation impact. After a more thorough review, we are now choosing to include this potential. Based on the amount of capital that is being committed to leasehold acquisition and future development, we felt it was important to provide investors with some preliminary guideposts that should help in determining relative exposure and potential valuation impacts for the public companies that are involved in the play.

Current Economics Based on Indicative Type Curves. In my report, we provide numerous sensitivities to before-tax IRRs and F&D costs assuming 3, 6, and 8 bcf EURs, completed well costs ranging from \$5-7 mm, various acreage cost assumptions ranging from \$500-20,000/acre, and four different natural gas price scenarios.

The Value Proposition. Based on our analysis of core NAV plus risked unbooked recoverable resource value (NPV10%BT) in relation to current share prices, we see the best leverage to the Lower Bossier/Haynesville Shale from Petrohawk (HK-N, TP), Goodrich Petroleum (GDP-N, OP) and St. Mary (SM-N, OP). We are taking this opportunity to increase our rating on Chesapeake (CHK-N, OP) to Outperform from Market Perform.

37. A list of the companies, profiled by Tristone Capital in the June 20, 2008 *Industry*

Update related to the Haynesville Shale trend, included:

Anadarko Petroleum
Corporation Cabot Oil and Gas
Corporation Chesapeake Energy
Corporation Comstock
Resources, Inc.
Devon Energy Corporation
El Paso Corporation

EOG Resources, Inc.
Forest Oil
Corporation
Goodrich Petroleum
Corporation Petrohawk Energy
Corporation Shell Western
E&P, Inc.
St. Mary Land & Exploration Company
XTO Energy, Inc.

38. According to the June 20, 2008 *Industry Update*, the lease bonus per net mineral acre “escalated rapidly from \$100-200/acre in January to in excess of \$17,000/acre in June”. A summary of recent public transactions in the Haynesville Shale trend, provided by Tristone Capital Co. as Exhibit 7 in the *Industry Update*, follows:

Buyer	Seller	Location	Date	Transaction Value Sum	Net Acres	\$ Value Per Acre
Goodrich Petroleum	Private	Longwood Field, N. LA	29-May-08	\$32	3,250	\$9,846
Cabot Oil and Gas	Private	Minden Field, E. TX	5-Jun-08	\$181	24,250	\$7,464
Berry Petroleum	Private	Harrison and Limestone Counties, E. TX	10-June-08	\$14	4,500	\$3,056
Chesapeake	Goodrich	Bethany-Longstreet and Longwood Fields, N. LA	16-Jun-08	\$178	10,250	\$17,366

39. An email from Petrohawk to JPMorgan on July 1, 2008 confirmed the need for secrecy, also the need to remain stealth. An excerpt from the July 1, 2008 communication follows:

Also, can we sign^{h.a} a letter of intent again to firm up this deal tomorrow? I'll be in my office thru Wednesday, leaving for the 4th and returning next Tuesday the 8th. I expect the rig will be on location for the #1 STS-241 this weekend and I need to have some kind of deal with you before the word gets out.

Let me know and I'll revise the LOI I sent to you 2 weeks ago. Please call me.

Clearly, Petrohawk was concerned that the *word* of a horizontal well located in a historically unproductive area of La Salle County would travel far enough to create interest, if not competition, for unleased minerals under the *Washburn Ranch*. The *word* already got out to

JPMorgan, yet JPMorgan was oblivious to the *word*. Due diligence would have provided JPMorgan with a keen conscious awareness of the significance of Petrohawk's interest in drilling a horizontal well into a not-yet identified formation, located stratigraphically above the Edwards formation, under the *Washburn Ranch*.

40. On July 2, 2008, Mark Hanna, a financial manager, described the rise in Petrohawk's stock related to activity within the unconventional shale resource in an article titled "Petrohawk Energy and Chesapeake Energy Flying on Haynesville Shale News". Excerpts from this article follow:

Shares of Petrohawk Energy Corp. advanced in premarket trading on Wednesday after an analyst hiked his price target on the oil and gas producer, saying its oil fields are increasingly more valuable.

Friedman, Billings, Ramsey analyst Rehan Rashid raised his price target on Petrohawk to \$60 from \$45 in a note to investors early Wednesday. The new target represents a 25 percent rate of return on the stock over Tuesday's close of \$48.

Rashid said the recent purchase by Plains Exploration & Production Co. of a portion of land owned by Chesapeake Energy Corp. in northwest Louisiana implies Petrohawk's portion of the same oil field is more valuable than originally expected.

Late Tuesday, Chesapeake said Plains agreed to buy 110,000 acres of its Haynesville Shale tract in northwest Louisiana. By Rashid's calculation, that purchase came to a price tag of \$25,600 per acre.

Based on the transaction, he says Petrohawk's own share of Haynesville Shale can now be assumed to be worth \$7.4 billion, which in turn makes Petrohawk stock significantly more valuable.

Rashid said many oil companies with a presence at Haynesville Shale have seen their shares climb sharply in recent months as companies seek to buy up the land, and reiterated his "Outperform" rating on Houston-based Petrohawk.

41. The foregoing article about Petrohawk, the Haynesville Shale play, competition with Chesapeake and the costs of acreage in the unconventional resource play, was published two weeks before JPMorgan made the following oil and gas lease of additional minerals under the *Washburn Ranch* with Petrohawk Properties, LP:

<u>STS C Lease</u>	
Date	July 16, 2008
Acres	16,903.43
Bonus	\$3,380,686.00
Bonus \$/Acre	\$200.00/Acre
Primary Term	3 Years
Royalty	25%

The Petrohawk STS C Lease is outlined in “orange” on the map of the *Washburn Ranch* included in paragraph 21 of my Expert Report.

42. In early July 2008, drilling commenced on the First Rock No. 1 STS well located on the *Washburn Ranch*. According to the RRC Form W-15, 10-3/4 inch surface casing was set in the STS No. 1 wellbore at 2,022 feet in a 14-3/4 inch hole. Halliburton Energy Services cemented the surface casing on July 18, 2008.

43. Confirmation of the rapid rise in bonus money paid per net mineral acre within the Haynesville Shale trend was provided by the Louisiana Department of Natural Resources in August 2008. An excerpt from the August 2008 Report titled “Haynesville Shale Gas Play and Louisiana Coal Seam Natural Gas” follows:

According to State Mineral Board Secretary Marjorie McKeithen, in the July 9, 2008 lease sale, seven north Louisiana leases were located in Caddo Parish and averaged over \$30,000 per acre in bonus and 30 percent royalty. The total bonus money received for these leases amounted to \$17,683,171, covering approximately 585 acres. The other north Louisiana lease covered 1,045 acres in DeSoto Parish and brought in \$28,750,040 in bonus which tallies \$27,512 per acre and

27.5 percent royalty. The August sale brought similar rates on 4070 acres in this area as shown in the table below. This was the second largest sale in state history.

Results from the August 13, 2008 lease sale

Parish	Avg \$/acre	Low	High	Royalty %
Bossier	\$22,562	\$18,500	\$27,500	25-27.5
Caddo	\$23,019	\$16,550	\$27,500	25-30
Desoto	\$18,500	\$18,500	\$19,286	25-30
Red River	\$20,396	\$18,500	\$27,500	25-30
Bienville	\$24,162	\$18,500	\$27,500	25-27.5

44. In the *Oil and Gas Investor*, Chesapeake Energy Corporation's Chief Executive Office explained the relative importance of bonuses paid in the Haynesville Shale trend. An excerpt from the article follows:

Because the gas reserves in these shale plays are so high, and the wells use up such a small amount of the leasehold, "honestly, the difference between paying \$1,500 per acre or \$15,000 per acre is just not that big of a deal," says McClendon. "You're talking about finding cost differences that might be measured in 2 cents or 20 cents per Mcf. Gas prices can move that much in a day." And, it still didn't get that expensive, on average. "We knew we could buy the leasehold off the ground for amounts much less than that simply because we didn't have that much competition, and there's just not that much money in the industry to price acreage the way the gas reserves per acre would tell you that it should be priced."

45. Nabors Rig No. 454 initially drilled First Rock's STS No. 1 well as a vertical hole to a measured depth of 11,378 feet. Schlumberger found total depth at 11,316 feet during a logging operation conducted on August 3, 2008. Schlumberger ran an induction- gamma ray, compensated neutron-lithodensity log within the STS No. 1 borehole from 11,308 feet to 2,000 feet. Later, 7-5/8 inch casing was set at 11,109 feet in a 9-7/8 inch hole. Halliburton Energy Services cemented the intermediate casing on August 19, 2008. The horizontal lateral was drilled into the Eagle Ford Shale formation to a measured depth of 14,465 feet (true vertical depth of 11,312 feet). Then, a tapered string of 4-1/2 inch casing and 5-1/2 inch casing was set

at 14,465 feet in a 6-3/4 inch hole. Halliburton Energy Services cemented the production casing on September 3, 2008.

46. On August 12, 2008, First Rock applied to the Railroad Commission of Texas for a permit to drill a horizontal well on the Dora Martin lease. Said lease covered a total of 6,986.8 acres. The permit to drill the Dora Martin No.1 well (API No. 42-283-32162) to a measured depth of 12,000 feet was issued to First Rock by the RRC on September 5, 2008. The RRC permit (No. 668901) for the First Rock No. 1 Dora Martin indicated that the proposed horizontal well would be another wildcat. In early September 2008, drilling commenced on the First Rock No. 1 Dora Martin well located in La Salle County. According to the RRC Form W-15, 10-3/4 inch surface casing was set in the Dora Martin No. 1 wellbore at 2,028 feet in a 14-3/4 inch hole. Halliburton Energy Services cemented the surface casing on September 17, 2008.

October 2008 - Eagle Ford Shale

47. According to the RRC Form G-1, Petrohawk Operating Company No. 1 STS was completed, as the discovery well for the Hawkville (Eagleford Shale) Field, on October 14, 2008. First Rock was listed as the previous operator of the discovery well. The measured depths of the completion intervals were listed between 11,370 feet and 14,360 feet. The STS No. 1 well was tested from October 16, 2008 through October 21, 2008. In a news release on October 21, 2008, Petrohawk reported that it had “found a new gas field in the Eagle Ford shale in La Salle County, Texas”.

48. Nabors Rig No. 454 that drilled the discovery well (STS No.1) on the *Washburn Ranch*, also drilled the Dora Martin No. 1 as a vertical hole to a measured depth of 11,277 feet. Schlumberger found total depth at 11,270 feet during a logging operation conducted on October 6, 2008. Later, 7-5/8 inch casing was set in the Dora Martin No. 1 at 10,783 feet in a 9-7/8 inch hole. Halliburton Energy Services cemented the intermediate casing on October 31, 2008.

November 2008- Eagle Ford Shale

49. According to the RRC Form G-1, the Dora Martin No. 1 horizontal lateral was drilled into the Eagle Ford Shale formation to a measured depth of 15,503 feet (true vertical depth of 11,270 feet). Then, a tapered string of 4-1/2 inch casing and 5-1/2 inch casing was set at 15,503 feet in a 6-1/2 inch hole. Halliburton Energy Services cemented the production casing on November 19, 2008. The First Rock No. 1 Dora Martin well was located several miles west of the *Washburn Ranch*.

50. There was no significant volume of drilling permits to the Eagle Ford Shale formation during November 2008. However, Petrohawk Operating Company received a permit to drill its first well in McMullen County. Although Petrohawk actually drilled the STS No. 1(H) and Dora Martin No. 1(H), those two wells were permitted in First Rock's name. According to the RRC, the only three permits to drill horizontal wells, issued during November 2008, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Zavala	Espada Operating LLC	Chaparrosa B No. 1H	42-507-32737	13-Nov-08
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 1H	42-127-33421	15-Nov-08
McMullen	Petrohawk Operating Company	Donnell No. 1	42-311-34116	22-Nov-08

December 2008 -Eagle Ford Shale

51. There was no significant drilling permit activity to the Eagle Ford Shale formation during December 2008. According to the RRC, the only permit, issued in December 2008, follows:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	Rosetta Resources Operating LP	Vela No. 1	42-479-40465	4-Dec-08

52. Despite the discovery of a new resource play under the *Washburn Ranch* and the apparent disregard for the value of remaining unleased minerals, JPMorgan made the following three oil and gas leases with Petrohawk Properties, LP:

	<u>STS A Lease</u>	<u>STS D Lease</u>	<u>STS North Lease</u>
Date	December 12, 2008	December 12, 2008	December 12, 2008
Acres	18,473.04	15,456.66	3,845.31
Bonus	\$3,694,608.00	\$3,091,332.00	\$769,061.00
Bonus \$/Acre	\$200.00/Acre	\$200.00/Acre	\$200.00/Acre
Primary Term	5 Years	5 Years	5 Years
Royalty	25%	25%	25%

The Petrohawk STS North Lease is outlined in “blue” on the map included in paragraph 21 of my Expert Report. The Petrohawk STS A Lease and Petrohawk STS D Lease on the map of the *Washburn Ranch* are outlined in “brown” and “green”, respectively.

January 2009- Eagle Ford Shale

53. According to the RRC Form G-1, Petrohawk Operating Company No. 1 Dora Martin was completed in the Hawkville (Eagleford Shale) Field on January 19, 2009. First Rock was listed as the previous operator of the second well to be completed in the Hawkville (Eagleford Shale) Field. The measured depths of the completion intervals were listed between 11,099 feet and 15,340 feet. The Dora Martin No. 1 well was tested on January 17, 2009 and January 18, 2009. The Petrohawk No. 1 Dora Martin was first confirmation well for the new field discovered on completion of the STS No. 1 well.

54. According to the RRC, the only three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during January 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 1H	42-479-40493	13-Jan-09
La Salle	Petrohawk Operating Company Stonegate	Brown-Trusts No. 1H	42-283-32184	15-Jan-09
La Salle	Production Company, LLC	Devine-Nuts No. 1	42-283-32185	28-Jan-09

February 2009 - Eagle Ford Shale

55. According to the RRC, the only two permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during February 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
McMullen	Broad Oak Energy, Inc. Petrohawk	STS -A- No. 1	42-311-33967	6-Feb-09
La Salle	Operating Company	Henderson-Cenizo 874 No. 1H	42-283-32187	23-Feb-09

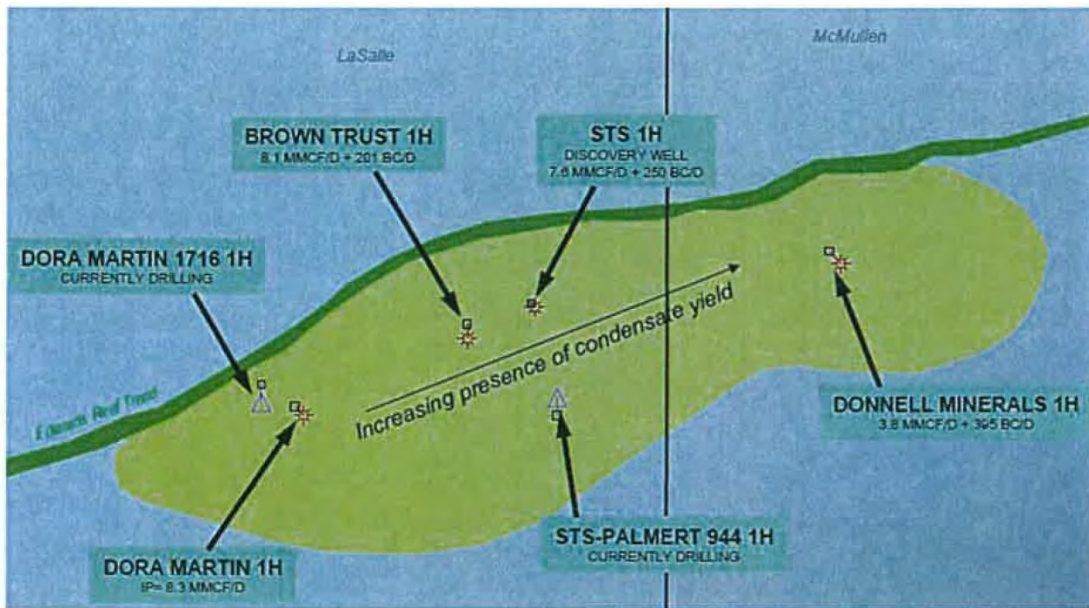
March 2009 - Eagle Ford Shale

56. According to the RRC, the only five permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during March 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Talisman Energy USA Inc.	STS No. 451H	42-283-32188	2-Mar-09
Dimmit La	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 2H	42-127-33612	12-Mar-09
Salle La	Rosetta Resources Operating LP	Springer Ranch No. 1	42-283-32190	13-Mar-09
Salle	Petrohawk Operating Company	STS-A No. 1H	42-283-32191	23-Mar-09
Maverick	Newfield Exploration Company	Glass Ranch A No. 124H	42-323-32860	27-Mar-09

April 2009 - Eagle Ford Shale

57. Hydrocarbon production from horizontal completions in the Eagle Ford Shale formation by Petrohawk had been established west of the *Washburn Ranch* and east of the *Washburn Ranch* in McMullen County. The map, extracted from an April 21, 2009, IPAA Petrohawk presentation in New York, shows the location of Eagle Ford Shale activity relative to the discovery well on the *Washburn Ranch*:



58. During the April 21, 2009 Presentation, Petrohawk also made comparisons of the important reservoir characteristics in its new Eagle Ford Shale play with the reservoir characteristics of the Haynesville Shale, and another shale play:

	HAYNESVILLE	EAGLE FORD	FAYETTEVILLE
DEPTH RANGES	10,500'-13,500'	11,000-12,000'	1200'-6000'
MAX GROSS THICKNESS	225'	250'	400'
MAX NET THICKNESS	225'	250'	220'
GAS IN PLACE/SECTION (BCFE)	150 to 170	180 to 210	55 to 65
MEAN RESERVE/WELL (BCFE)	7.5	5.5	2.0
PRESSURE GRADIENT (PSI/FT)	0.85	0.65	0.45
TOTAL POROSITY (%)	12.0	11.0	7.0
GAS FILLED POROSITY (%)	9.0	9.0	4.5
TOTAL ORGANIC CONTENT (TOC %)	3.1	4.5	3.8
CARBONATE CONTENT (%)	10 TO 15	45 TO 60	5 TO 10
INFRASTRUCTURE	Expanding	Legacy	Complete

59. According to the RRC, the only six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during April 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Petrohawk Operating Company	Dora Martin 1716 No. 1H	42-283-32193	2-Apr-09
La Salle	Petrohawk Operating Company	J.C. Martin 1850 No. 1H	42-283-32194	9-Apr-09
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 1H	42-127-33592	14-Apr-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 1H	42-479-40576	16-Apr-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 2H	42-127-33615	24-Apr-09
La Salle	Petrohawk Operating Company	STS-B No. 1H	42-283-32198	30-Apr-09

May 2009 -Eagle Ford Shale

60. According to the RRC, the only three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during May 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Common Resources, LLC	Nueces Minerals Company No. 2001H	42-283-32199	8-May-09
McMullen	Petrohawk Operating Company	Donnell Minerals 366 No. 1H	42-311-34131	12-May-09
La Salle	Petrohawk Operating Company	Henderson-Cenizo 877 No. 2H	42-283-32200	26-May-09

June 2009- Eagle Ford Shale

61. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during June 2009, follow:

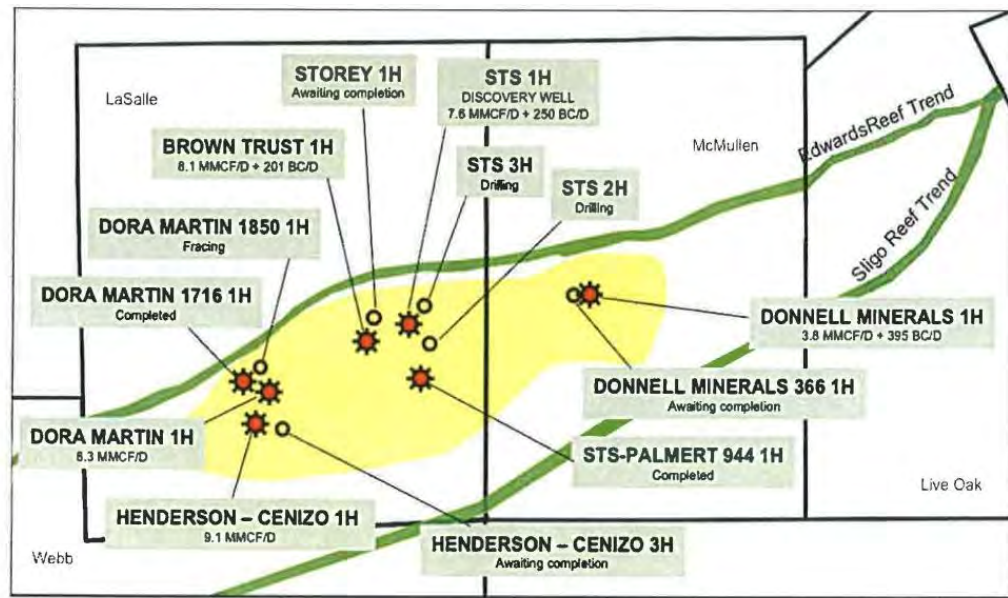
<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Lewis Petro Properties, Inc.	Storey 267 No. 1H	42-283-32201	1-Jun-09
Dimmit	Anadarko E&P Company LP	La Bandera Ranch No. 1H	42-127-33618	3-Jun-09
Zavala	Espada Operating LLC	Chaparrosa A No. 2H	42-507-32740	3-Jun-09
La Salle	Common Resources, LLC	Cooke 238 No. 1H	42-283-32202	15-Jun-09
Webb	St. Mary Land & Exploration Co.	Briscoe -J- No. 1H	42-479-40602	15-Jun-09
La Salle	Lewis Petro Properties, Inc.	Evans -H- No. 1	42-283-31779	17-Jun-09
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Ranch No. 1H	42-127-33620	18-Jun-09
McMullen	Petrohawk Operating Company	Donnell457 No. 1H	42-311-34137	19-Jun-09
La Salle	Petrohawk Operating Company	STS No. 2H	42-283-32203	19-Jun-09
La Salle	Petrohawk Operating Company	STS No. 3H	42-283-32204	22-Jun-09
Webb	St. Mary Land & Exploration Co.	Briscoe -AR- No. 1H	42-479-40603	24-Jun-09
La Salle	Common Resources, LLC	STS No. 291H	42-283-32205	24-Jun-09
La Salle	Petrohawk Operating Company	STS No. 4H	42-283-32206	26-Jun-09
La Salle	Petrohawk Operating Company	Brown Distributing 981 No. 1H	42-283-32208	29-Jun-09
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Ranch No. 2H	42-127-33621	30-Jun-09

July 2009 - Eagle Ford Shale

62. According to the RRC, the six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during July 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
McMullen	Murphy Exploration & Prod. Co.	George Miles No. 1H	42-311-34139	2-Jul-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 1H	42-283-32209	6-Jul-09
Dimmit	Anadarko E&P Company LP	Beinhorn Ranch No. 1H	42-127-33624	7-Jul-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 95	42-479-40619	16-Jul-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 4H	42-479-40621	17-Jul-09
Dimmit	Newfield Exploration Company	Briscoe-McKnight No. 1597HX	42-127-33626	31-Jul-09

63. A slide from Petrohawk's presentation to IPAA and TIPRO on July 8, 2009, at the Leaders in Industry Luncheon depicts its activity within the new Eagle Ford Shale play:



August 2009 – Eagle Ford Shale

64. According to the RRC, the eighteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during August 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Permit
La Salle	El Paso E & P Company, L.P.	Briscoe-Nunley GU No. 1H	42-283-32211	4-Aug-09
McMullen	Petrohawk Operating Company	Donnell1077 No. 1H	42-311-34142	4-Aug-09
McMullen	Petrohawk Operating Company	Donnell1086 No. 1H	42-311-34145	5-Aug-09
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 6H	42-479-40650	6-Aug-09
McMullen	Common Resources, LLC	Goodridge No. 2401H	42-311-34141	7-Aug-09
Dimmit	Anadarko E&P Company LP	San Pedro Ranch No. 4H	42-127-33628	10-Aug-09
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 3H	42-283-32212	10-Aug-09
Dimmit	Newfield Exploration Company	McKnight Tract 15 No. 1	42-127-31694	12-Aug-09
La Salle	Petrohawk Operating Company	Brown-Trusts No. 2H	42-283-32214	12-Aug-09
La Salle	Petrohawk Operating Company	HeimNo. 1H	42-283-32213	12-Aug-09
La Salle	Common Resources, LLC	Nueces Minerals Co. No. 1501H	42-283-32215	12-Aug-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 2H	42-479-40663	13-Aug-09
Dimmit	Encana Oil & Gas (USA) Inc.	Mayberry McKnight South 21 No. 1H	42-127-33627	19-Aug-09
Webb	Laredo Energy LLC	Rosa V. Benavides No. 3H	42-479-40669	20-Aug-09
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 1H	42-479-40670	20-Aug-09
McMullen	Petrohawk Operating Company	Donnell eta!No. 5H	42-311-34153	24-Aug-09
La Salle	Lewis Petro Properties, Inc.	Appling 716 No. 1H	42-283-32216	27-Aug-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 4H	42-127-33629	28-Aug-09

September 2009 - Eagle Ford Shale

65. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during September 2009, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Webb	Escondido Resources II, LLC	Matrix Land Co. No. 11H	42-479-40673	2-Sep-09
McMullen	Murphy Exploration & Prod. Co.	George Miles No. 2H	42-311-34157	2-Sep-09
McMullen	Murphy Exploration & Prod. Co.	Larry Miles No. 1H	42-311-34156	2-Sep-09
La Salle	Murphy Exploration & Prod. Co.	Crescent C No. 1H	42-283-32219	8-Sep-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 2H	42-283-32218	8-Sep-09
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 2H	42-311-34130	9-Sep-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 1	42-013-34272	10-Sep-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 2H	42-013-34273	10-Sep-09
McMullen	Common Resources L.L.C.	STS -A- No. 361H	42-311-34158	14-Sep-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 3H	42-283-32220	22-Sep-09
McMullen	EOG Resources, Inc.	Hundley No. 2H	42-311-34161	23-Sep-09
McMullen	EOG Resources, Inc.	Hundley No. 3	42-311-34162	23-Sep-09
La Salle	Lewis Petro Properties, Inc.	Storey 151 No. 2H	42-283-32221	25-Sep-09
McMullen	Aurora Resources Corporation	Tyler Ranch No. 4	42-311-34163	30-Sep-09
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 2H	42-479-40682	30-Sep-09

October 2009 - Eagle Ford Shale

66. On October 1, 2009, Chesapeake Exploration, L.L.C. acquired two oil and gas leases from PGE Mineral Properties, Ltd. that included rights to the Eagle Ford Shale under the *Dos Hermanos Ranch* and *Browne Ranch* in Webb County, Texas. The *Dos Hermanos Ranch* and *Browne Ranch* covered 15,729.34 acres and 9,143.16 acres, respectively. According to the Letter Agreement dated August 13, 2009, Chesapeake Exploration, L.L.C. paid a bonus of \$30,000,000 (approximately \$1,200.00 per net mineral acre) to PGE Mineral Properties, Ltd. Both oil and gas leases provided for a free royalty of 27-1/2%, spud fees of \$250,000.00 per well for the first 200 wells spudded on the *Dos Hermanos Ranch* and *Browne Ranch* and a 10% working interest “carried through the tanks” on ten wells designated by PGE Mineral Properties, Ltd. Furthermore, Chesapeake Exploration, L.L.C. agreed to drill six wells on either or both leases during the first 18 months of the leases or pay PGE Mineral Properties, Ltd. \$1,000,000.00 for each well it failed to timely drill. The continuous development clauses required three wells per year on each lease to extend the undeveloped portion of each lease for another year.

67. According to the RRC, the fifteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during October 2009, follow:

County	<u>Operator Name</u>	Well Name	API No.	Drilling Permit
Webb	Lewis Petro Properties, Inc.	Neel No. 2H	42-479-40604	7-Oct-09
Dimmit	Anadarko E&P Company LP	South Spur Ranch No. 1H	42-127-33633	9-Oct-09
La Salle	Lewis Petro Properties, Inc.	Golla 7H No.7	42-283-32222	9-Oct-09
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. M 1H	42-283-32223	9-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 3H	42-479-40690	9-Oct-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 2H	42-479-40695	16-Oct-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 6H	42-479-40696	16-Oct-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 2H	42-283-32225	20-Oct-09
Frio Webb	Cabot Oil & Gas Corporation	Patrick West No. 1	42-163-33403	23-Oct-09
Dimmit	St. Mary Land & Exploration Co.	Galvan Ranch No. 7H	42-479-40697	26-Oct-09
McMullen	Anadarko E&P Company LP	La Bandera Ranch No. 2H	42-127-33634	28-Oct-09
Webb	EOG Resources, Inc.	Hundley No. 4H	42-311-34170	28-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- No. 4H	42-479-40701	28-Oct-09
Webb	St. Mary Land & Exploration Co.	Briscoe -G- GU 2 No. 5H	42-479-40703	30-Oct-09
	Swift Energy Operating, LLC	Fasken -A- No. 1H	42-479-40705	30-Oct-09

68. A price comparison of acreage within various resource plays made by RBC

Richardson Barr follows:

<u>Resource Play</u>	<u>2008 First-Half Median Estates (per acre)</u>	<u>2009 Second-Half Median Estimates (per acre)</u>
Eagle Ford	\$50-\$100	\$300-\$500
Haynesville	\$20,000-\$30,000	\$20,000-\$30,000
Marcellus	\$2,000-\$4,000	\$2,000-\$4,000
Fayetteville	\$7,000-\$10,000	\$3,000-\$5,000
Woodford	\$5,000-\$10,000	\$2,000-\$5,000
Barnett	\$20,000-\$30,000	\$5,000-\$10,000
Bakken	\$2,000-\$3,000	\$500-\$1,000
Wolfberry	\$2,000-\$3,000	\$500-\$1,000

The comparison was published in the October 2009 issue of the *Oil and Gas Investor*.

69. A summary of monthly natural gas production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres follows:

Production Month	STS No. 1 RRC ID 244785 Mcf	STS No. 2H RRC ID 254322 Mcf	STS No. 3H RRC ID 251818 Mcf	STS No. 4H RRC ID 254479 Mcf
Oct-08	93,230	-	-	-
Nov-08	95,043	-	-	-
Dec-08	78,022	-	-	-
Jan-09	71,566	-	-	-
Feb-09	55,836	-	-	-
Mar-09	39,400	-	-	-
Apr-09	11,695	-	-	-
May-09	0	-	-	-
Jun-09	29,729	-	-	-
Jul-09	64,980	-	-	-
Aug-09	39,897	-	-	-
Sep-09	51,868	-	85,185	-
Oct-09	59,967	152,380	96,663	135,696

70. A summary of monthly condensate production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres follows:

Production Month	STS No. 1 RRC ID 244785 Bbls	STS No. 2H RRC ID 254322 Bbls	STS No. 3H RRC ID 251818 Bbls	STS No. 4H RRC ID 254479 Bbls
Oct-08	2,614	-	-	-
Nov-08	2,568	-	-	-
Dec-08	1,794	-	-	-
Jan-09	1,331	-	-	-
Feb-09	1,114	-	-	-
Mar-09	809	-	-	-
Apr-09	378	-	-	-
May-09	0	-	-	-
Jun-09	672	-	-	-
Jul-09	2,227	-	-	-
Aug-09	1,346	-	-	-
Sep-09	0	-	2,957	-
Oct-09	3,443	3,476	4,899	1,550

71. A summary of monthly natural gas and condensate production from a well operated by Petrohawk Operating Company on the May 27, 2008 STS East Lease that covered 12,772.9325 acres follows:

Production Month	STS-B No. 1H RRC ID 254484 Mcf	STS-B No. 1H RRC ID 254484 Bbls
Oct-09	17,711	0

November 2009- Eagle Ford Shale

72. On November 2, 2009, Swift Energy Company and Petrohawk Energy Corporation agreed to jointly develop and operate a 26,000-acre portion of Swift Energy's Eagle Ford Shale acreage in McMullen County. Swift Energy received approximately \$26 million in cash consideration upon closing of the agreement. Petrohawk will also fund approximately \$13 million of capital expenditures on Swift Energy's behalf within the first twelve months of the joint venture. Swift Energy retained 50% of the deal. The aggregate consideration including the carry cost on behalf of Swift Energy is \$39 million. Analysts attribute the unit value of the undeveloped acreage at \$3,000 per acre.

73. On November 4, 2009, Petrohawk Operating Company requested that temporary field rules be adopted for the Hawkville (Eagleford Shale) Field. In a hearing before a RRC technical examiner in Docket No. 01-0263175, Petrohawk indicated that its development of the hydrocarbons within the Eagle Ford Shale formation was in the early stages. In fact, there were only two gas wells on the proration schedule, classified in the new field, at the time of the hearing. The Hawkville (Eagleford Shale) Field was defined as the correlative interval from

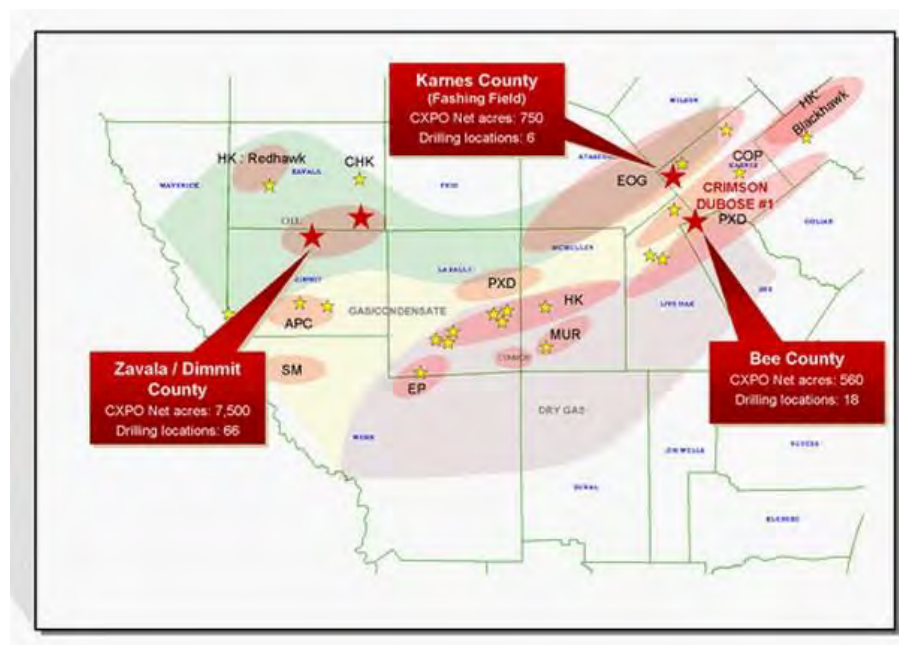
11,050 feet to 11,290 feet as shown on the log of the STS No. 1 well located on the *Washburn Ranch*.

74. According to the RRC, the fourteen permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during November 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Dimmit	Anadarko E&P Company LP	Rogers Dentonio Ranch No. 1H	42-127-33636	2-Nov-09
La Salle	Petrohawk Operating Company	Caroline Pielop No. 4H	42-283-32226	4-Nov-09
McMullen	Petrohawk Operating Company	Lowe No. 2H	42-311-34172	5-Nov-09
La Salle	Lewis Petro Properties, Inc.	Lyssy Family No. 1H	42-283-32227	10-Nov-09
Webb	Chesapeake Operating, Inc.	POE Browne No. 1H	42-479-40717	12-Nov-09
La Salle	Lewis Petro Properties, Inc.	Martin Family No. 1H	42-283-32228	12-Nov-09
Webb	Rosetta Resources Operating LP	Santa Cruz No. 1	42-479-40718	13-Nov-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 8H	42-479-40724	13-Nov-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 5H	42-127-33637	16-Nov-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 7H	42-127-33643	19-Nov-09
La Salle	Murphy Exploration & Prod. Co.	Asche Ranch No. 1H	42-283-32230	23-Nov-09
La Salle	Petrohawk Operating Company	Brown Distributing No. 1H	42-283-32231	23-Nov-09
La Salle	Petrohawk Operating Company	Brown Distributing No. 2H	42-283-32229	23-Nov-09
Dimmit	Anadarko E&P Company LP	Beinhom Ranch No. 2H	42-127-33644	25-Nov-09

December 2009 - Eagle Ford Shale

75. On December 31, 2009, Crimson Exploration Inc. depicted the Eagle Ford Shale trend on a presentation slide, as follows:



76. According to the RRC, the twenty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the play, issued during December 2009, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 11H	42-013-34279	1-Dec-09
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 1H	42-311-34176	1-Dec-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 3H	42-127-33646	3-Dec-09
McMullen	Union Gas Operating Company	Fox Creek Ranch No. 1H	42-311-33576	3-Dec-09
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 6H	42-127-33648	4-Dec-09
Webb	Laredo Energy LLC	State ofTX Hill Ranch No. 3H	42-479-40733	4-Dec-09
La Salle	Petrohawk Operating Company	J.C. Martin No. 3H	42-283-32232	4-Dec-09
McMullen	Swift Energy Operating, LLC	F.B. Horton No. 2H	42-311-34027	4-Dec-09
Zavala	TXCO Resources, Inc.	White-McKnight No. 2533H	42-507-32721	4-Dec-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 4H	42-283-32233	7-Dec-09
McMullen	Petrohawk Operating Company	J.V. Bracken No. 1H	42-311-34177	8-Dec-09
Webb	Laredo Energy LLC	Rosa V. Benavides No. 2H	42-479-40561	10-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 319	42-479-40736	11-Dec-09
La Salle	El Paso E & P Company, L.P.	Hixon No. 1H	42-283-32234	16-Dec-09
Webb	Anadarko E&P Company LP	Stanley Ranch No. 1H	42-479-40742	17-Dec-09
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 1H	42-479-40740	17-Dec-09
Zavala	Petrohawk Operating Company	Mustang Ranch No. 1H	42-507-32744	17-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 419	42-479-40738	17-Dec-09
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 17H	42-479-40741	17-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 102	42-479-40743	18-Dec-09
Webb	Rosetta Resources Operating LP	Gates 05-D No. 1287	42-479-40744	18-Dec-09
La Salle	EOG Resources, Inc.	Hoff Ranch No. 5H	42-283-32235	21-Dec-09
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 10H	42-013-34282	22-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 5H	42-283-32238	28-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 2H	42-283-32239	29-Dec-09
La Salle	Petrohawk Operating Company	Dora Martin No. 4H	42-283-32237	30-Dec-09
La Salle	Petrohawk Operating Company	J.C. Martin No. 2H	42-283-32240	30-Dec-09

77. An excerpt from the December 15, 2009 issue of *A&D Transactions* follows:

Swift Energy and Petrohawk Energy agreed to jointly develop and operate an -26,000 acre portion of Swift's Eagle Ford Shale acreage in McMullen Co., Texas. Swift received -\$26 million in cash upon closing. Petrohawk will also fund -\$13 million of capex on Swift's behalf within the first twelve months of the JV. If any portion of this amount is not expended during the first twelve months, it will be paid to Swift as cash consideration.

Swift retains 50% in the JV that calls for joint development of this prospect area located in its AWP field and covers leasehold interests beneath the Olmos formation (including the Eagle Ford Shale formation)

extending to the base of the Pearsall formation. Petrohawk will operate during the drilling and completion phase of the joint development, and Swift will operate the wells drilled once they have entered the production phase. The appraisal drilling program will begin in 2009 with an acceleration of activity expected in 2010.

Terry Swift, CEO of Swift Energy, said Petrohawk’s technical and commercial expertise has already produced strong operational results in the Eagle Ford Shale, making the company an excellent choice as a partner for this project.

January 2010- Eagle Ford Shale

78. According to the Railroad Commission of Texas, the thirty-one permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during January 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
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Dimmit La	Chesapeake Operating, Inc.	Voltz Unit A No. 1H	42-127-33776	1-Jan-10
Salle	EOG Resources, Inc.	Hoff Ranch No. 7H	42-283-32241	4-Jan-10
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 7H	42-479-40746	5-Jan-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 1H	42-479-40747	5-Jan-10
Atascosa	EOG Resources, Inc.	Peeler Ranch No. 12H	42-013-34284	6-Jan-10
McMullen	Petrohawk Operating Company	Lowe No. 1H	42-311-34186	6-Jan-10
Webb	Anadarko E&P Company LP	Worthey Ranch No. 1H	42-479-40755	7-Jan-10
Webb	Lewis Petro Properties, Inc.	Trevino Ranch No. 3H	42-479-40757	8-Jan-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -B- No. 1H	42-479-40756	13-Jan-10
McMullen	Espada Operating LLC	Furie-La Jolla No. 1H	42-311-34188	14-Jan-10
McMullen	Petrohawk Operating Company	Lowe No. 3H	42-311-34187	14-Jan-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 707A	42-479-40771	14-Jan-10
La Salle	Lewis Petro Properties, Inc.	Applying 716 No. 3H	42-283-32243	15-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 3H	42-479-40776	15-Jan-10
Zavala	Chesapeake Operating, Inc.	Traylor North No. 1H	42-507-32746	20-Jan-10
Atascosa	EOG Resources, Inc.	Peeler Ranch Unit No. 1H	42-013-34285	20-Jan-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 3H	42-479-40782	21-Jan-10
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. 6821H	42-283-32244	21-Jan-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 1023	42-479-40780	21-Jan-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 2024	42-479-40781	21-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 1H	42-479-40787	25-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 3H	42-479-40786	25-Jan-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 1H	42-127-33655	27-Jan-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 1H	42-127-33655	27-Jan-10
Webb	Lewis Petro Properties, Inc.	J.S. Long No. 1H	42-479-40789	27-Jan-10
Webb	Lewis Petro Properties, Inc.	W.A. Maltsberger No. 1H	42-479-40791	27-Jan-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 3H	42-311-34190	27-Jan-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 4H	42-311-34191	28-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 10H	42-479-40793	28-Jan-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 14H	42-479-40794	28-Jan-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 2H	42-479-40799	29-Jan-10

79. Excerpts from an Eagle Ford Shale trend update provided by the Ross Smith Energy Group on January 22, 2010 follow:

There are now 45 rigs operating in the Eagleford Shale, up from 11 in August. EOG is the most active operator with five rigs. There are over 10 rigs drilling in the updip oily window...

Cabot Oil and Gas (COG) spudded its first well in Frio County (oily), Chesapeake is testing in Webb and De Witt counties (gassy) and Petrohawk (HK) is drilling on its oily Red Hawk Prospect in Zavala County.

80. Chesapeake Exploration, LLC paid the Texas Parks and Wildlife Commission \$3,926,695.20 for a three year primary term Oil and Gas Lease that included 2,488.4 net mineral acres under the Chaparral Wildlife Management Area in Dimmit County, Texas. The Texas

Parks and Wildlife Commission owned one-sixth (1/6th) of the minerals under 15,200 acres. The Oil and Gas Lease was dated January 28, 2010. The bonus paid by Chesapeake Exploration, LLC of approximately \$1,578 per net mineral acre resulted from a competitive lease sale conducted by the Texas General Land Office. On November 5, 2009, the Texas Parks and Wildlife Commission made a recommendation to the Board for Lease for Parks and Wildlife Lands to lease its share of the minerals under the Chaparral Wildlife Management Area. The location of the Chaparral Wildlife Management Area is within the oil-prone area of the Eagle Ford Shale trend. In its Notice for Bids due January 28, 2010, the Texas General Land Office set the minimum bonus bid for the minerals owned by the Texas Parks and Wildlife Commission at \$600 per net mineral acre.

81. Excerpts from an Eagle Ford Shale trend update provided by Barclays Capital on January 29, 2010 follow:

The Eagleford Shale in South Texas is likely to overtake the Fayetteville Field and perhaps the Granite Wash Play to become the 4th or 5th most active horizontal gas drilling play in the US by the end of the first quarter. Activity levels have doubled since September to over 30 rigs as producers have been encouraged by high flow rates and high liquids content. We expect upcoming 4Q '09 earnings to include comments on well results from APC, HK, SM, SFY and ROSE and believe that EOG Management may be ready to provide the much awaited update on the company's activities in the "liquids rich" and "oil" windows of this play ...

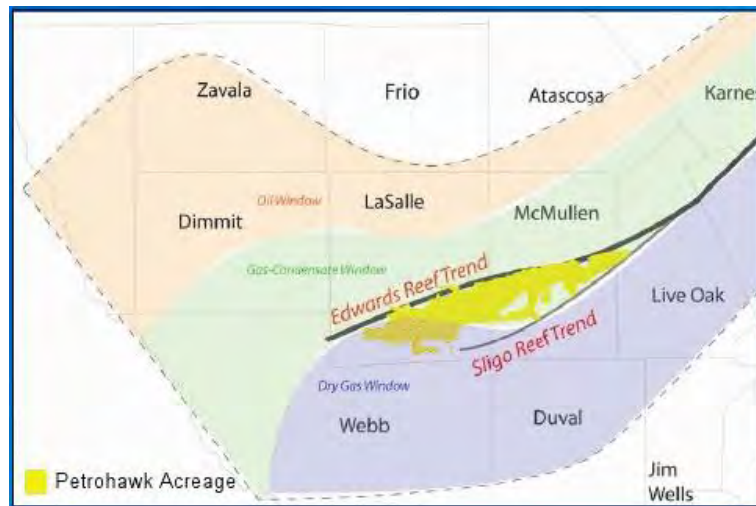
February 2010- Eagle Ford Shale

82. According to the RRC, the forty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during February 2010, follow:

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	El Paso E & P Company, L.P.	Needmore No. 1H	42-479-40797	1-Feb-10
Maverick	Tidal Petroleum Inc.	Los Cuatros No. 1H	42-323-31192	1-Feb-10
Webb	EOG Resources, Inc.	Tully C. Gamer No. 100H	42-479-40801	2-Feb-10
La Salle	Rosetta Resources Operating LP	Springer Ranch No. 3	42-283-32245	2-Feb-10
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 2H	42-127-33654	3-Feb-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 1	42-283-32176	5-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 7015	42-479-40803	5-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No. 1	42-479-40808	5-Feb-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 12H	42-479-40807	5-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 1H	42-479-40806	5-Feb-10
La Salle	Lewis Petro Properties, Inc.	Appling 695 No. 2H	42-283-32247	8-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 6012	42-479-40812	8-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No. 2	42-479-40810	8-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 2H	42-479-40809	8-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 2H	42-311-34195	8-Feb-10
Zavala	LMP Petroleum, Inc.	Thompson No. 1012H	42-507-32747	9-Feb-10
Dimmit	LMP Petroleum, Inc.	Thompson No. 1023HR	42-127-32871	9-Feb-10
Zavala	LMP Petroleum, Inc.	Thompson No. 5021HR	42-507-32415	9-Feb-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 606A	42-479-40811	9-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 1H	42-311-34194	9-Feb-10
McMullen	XTO Energy Inc.	Layton A No. 3H	42-311-34196	9-Feb-10
Dimmit	Anadarko E&P Company LP	Diamond H State No. 1H	42-127-33657	10-Feb-10
Webb	Lewis Petro Properties, Inc.	Fasken State 1561 No. 1H	42-479-40815	10-Feb-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -C- No. 1H	42-479-40813	10-Feb-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 1H	42-127-33658	11-Feb-10
Webb	Lewis Petro Properties, Inc.	Neel No. 4H	42-479-40816	11-Feb-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 101	42-479-40817	11-Feb-10
McMullen	Swift Energy Operating, LLC	San Miguel No. 1H	42-311-34197	11-Feb-10
La Salle	Petrohawk Operating Company	Martin Unit 1 No. 1H	42-283-32249	12-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 3H	42-311-34199	16-Feb-10
McMullen	Petrohawk Operating Company	J.V. HuffNo. 5H	42-311-34200	16-Feb-10
La Salle	El Paso E & P Company, L.P.	Nunley-Traylor No. 1H	42-283-32251	17-Feb-10
Dimmit	Murphy Exploration & Prod. Co.	Briggs No. 1H	42-127-33659	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Barfork Bar No. 7H	42-311-34202	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 9H	42-311-34203	17-Feb-10
McMullen	Petrohawk Operating Company	J.V. Bracken 6488 No. 1H	42-311-34204	18-Feb-10
Dimmit	Anadarko E&P Company LP	South Spur State No. 1H	42-127-33660	19-Feb-10
La Salle	ExxonMobil Oil Corporation	Burks Ranch East No. 2H	42-283-32250	19-Feb-10
La Salle	Murphy Exploration & Prod. Co.	Nueces Minerals Co. No. 6851H	42-283-32252	19-Feb-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 7H	42-127-33662	22-Feb-10
Dimmit	Anadarko E&P Company LP	Diamond H Ranch No. 1H	42-127-33661	22-Feb-10
Webb	Lewis Petro Properties, Inc.	Morse Hubbard GU-A-No. 1H	42-479-40821	23-Feb-10
Dimmit	Anadarko E&P Company LP	Beinhom Ranch No. 3H	42-127-33664	24-Feb-10
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 111H	42-013-34289	24-Feb-10

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	Escondido Resources II, LLC	Cerrito -B- No. 7H	42-479-40824	24-Feb-10
Webb	Laredo Energy LLC	G-B Minerals No. 1H	42-479-40827	25-Feb-10
McMullen	Petrohawk Operating Company	J.V. Anthony et al No. 1H	42-311-34207	26-Feb-10

83. In February 2010, Petrohawk Energy Corporation depicted the Eagle Ford Shale trend on a presentation slide, as follows:



March 2010- Eagle Ford Shale

84. According to the RRC, the thirty-six permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during March 2010, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
La Salle	Petrohawk Operating Company	Dora Martin Unit 1 No. 1H	42-283-32253	1-Mar-10
La Salle	Petrohawk Operating Company	Martin Unit 2 No. 1H	42-283-32248	2-Mar-10
La Salle	Lewis Petro Properties, Inc.	Storey 267 No. 3H	42-283-32254	3-Mar-10
McMullen	Petrohawk Operating Company	J.V. Whitehurst No. 6H	42-311-34201	3-Mar-10
La Salle	Petrohawk Operating Company	STS -A- No. 4H	42-283-32255	3-Mar-10
Dimmit	Chesapeake Operating, Inc.	Lazy A Cotulla No. 1H	42-127-33665	4-Mar-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 4H	42-283-32256	5-Mar-10

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Atascosa	EOG Resources, Inc.	Peeler Ranch Unit No. 2H	42-013-34290	5-Mar-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 2023	42-479-40830	5-Mar-10
Atascosa	XTO Energy Inc.	Emma Tartt, et al No. 17H	42-013-34291	5-Mar-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 7H	42-479-40832	5-Mar-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 5H	42-479-40831	8-Mar-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 2H	42-283-32257	9-Mar-10
McMullen	Swift Energy Operating, LLC	Discher No. 1H	42-311-34209	9-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 2H	42-127-33666	10-Mar-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 4H	42-479-40834	11-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 3H	42-127-33667	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 4H	42-127-33668	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 5H	42-127-33669	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 6H	42-127-33670	12-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 8H	42-127-33671	12-Mar-10
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 110H	42-013-34293	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Beasley State 1628 No. 1H	42-479-40835	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Cox State 1470 GU No. 1H	42-479-40822	15-Mar-10
Webb	Lewis Petro Properties, Inc.	Stewart Trust No. 5H	42-479-40838	17-Mar-10
McMullen	Swift Energy Operating, LLC	G.L. Hayes No. 1H	42-311-34211	19-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 9H	42-127-33672	22-Mar-10
McMullen	Anadarko Minerals Incorporated	Wheeler No. 1H	42-311-34212	22-Mar-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 1H	42-479-40847	22-Mar-10
Dimmit	Anadarko E&P Company LP	La Bandera Ranch No. 3H	42-127-33673	24-Mar-10
Maverick	Peregrine Petroleum LLC	Briscoe Ranch et al Sec 63 No. 1H	42-323-33347	24-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 9H	42-127-33674	25-Mar-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 10H	42-127-33677	30-Mar-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 6H	42-283-32258	30-Mar-10
Webb	Laredo Energy LLC	Rosa V. Benavides No. 5H	42-479-40858	30-Mar-10
Dimmit	Redemption Oil & Gas, LLC	Shook No. 21H	42-127-33676	30-Mar-10

85. In March 2010, BP p.l.c. acquired an interest in the Eagle Ford Shale through a joint venture with the Lewis Energy Group. An excerpt from a March 1, 2010 news article follows:

BP PLC is expected to announce Tuesday an expansion of its U.S. shale- gas operations through a joint-venture deal in Texas with privately held Lewis Energy Group worth at least \$160 million, people familiar with the situation said.

BP's move is the latest in a string of deals that have brought major oil companies into U.S. shale gas--a substantial resource that has boosted U.S. gas reserves significantly and is transforming the energy industry. While relatively small compared with the multibillion-dollar deals struck recently, BP's move underscores the growing interest of the biggest integrated energy companies, which were slow to recognize the potential of shale gas. BP, Norway's Statoil SA (STO) and other big oil companies also aim to apply expertise gained in North America to their efforts overseas to extract gas from deep, hard, shale-rock formations.

Several companies have been jostling for acquisitions in the sector, which was pioneered by smaller, independent U.S. producers such as Chesapeake Energy Corp. (CHK) and XTO Energy Inc. (XTO). France's Total SA (TOT) agreed in January to acquire a quarter of Chesapeake's Barnett Shale operations in Texas for \$2.25 billion. This came the month after Exxon Mobil Corp. (XOM) gave shale-gas development a definitive stamp of approval by agreeing to acquire XTO in an all-share deal valued at around \$31 billion.

BP will take a 50% stake in 80,000 acres of the Eagle Ford Shale play in the southeastern part of Texas held by Lewis Energy at a price of \$4,000 to \$4,500 an acre, one of the people familiar with the matter said.

The two companies are already running one drilling rig on the license and could be running four rigs by the end of the year, another person said.

86. On March 9, 2010, Well Fargo Securities, LLC provided an *Equity Research Report* on the Eagle Ford Shale play. Excerpts from the Discussion Section of the *Equity Research Report* titled "In 2010, The Eagle Ford Shale Could Be It" follows:

Summary Thoughts- In 2010, We Think the Eagle Ford Shale Could Be It
As 2010 has swiftly and squarely taken off, we sense a number of emerging themes taking hold, which we believe could carry important implications for E&P investment performance in the months and/or quarters remaining in the year. One such emerging theme is the likely prevalence of and preference toward the Eagle Ford Shale, both by industry as well as Wall Street. Some key reasons we find ourselves keying in on the Eagle Ford include a preference for liquids exposure, strong initial productivity, a relatively benign regulatory and operating environment, and a generally earlier stage on the learning curve, which in our view could lead to more outsized returns as more meaningful upside to expectations could potentially remain. With initial well economics estimates rivaling both the Marcellus and the Haynesville, we expect a continued ramp in activity and interest throughout 2010. In short, as we (as we) attempt to envision the rearview mirror of year-end 2010, we (the) think the Eagle Ford Shale could end up being the place to have been for uncovering alpha in the oil patch ...

Eagle Ford Background, Industry Activity, and Operating Information The Eagle Ford Shale is a Cretaceous-age shale being aggressively pursued by the industry in South Texas. Starting with Petrohawk's Hawkville Field discovery in late 2008, the play has quickly caught the attention of industry, and now Wall Street, as its high liquids yielding production stream, among other factors, provides very attractive economics even at current low gas prices (given the persistent disparity between liquids and gas pricing). The Eagle Ford is found at roughly 8,000'-14,000' (10,000'-12,000' core focus), with thickness of 150'-300'; where most productive, the shale section is thought to contain significant amounts of natural fracturing, low clay and high carbonate contents, and high gas in place given high relative porosity. The Eagle Ford is a known source rock for the Austin Chalk, found uphole in much of South Texas...

Chesapeake Energy- Still Accumulating Acreage, Just Beginning to Ramp
As of its February earning's call, Chesapeake had accumulated 150,000 net acres in the basin, and is continuing to lease land as it targets an acreage position of 300,000-400,000 acres. No acreage map or details have been provided, but CHK has stated that it is in the "oilier" part of the play. The company currently has 1 rig running, and as of the February call the first well had begun production, although it has yet to announce any results. In our current NAV, we have not assigned any value to CHK's Eagle Ford operations, as we await further detail surrounding its operations and well results.

EOG Resources - Details Held Close to the Vest, Expect More Information Next Month

There has been significant industry chatter and buzz surrounding EOG's acreage position, although the company has yet to disclose any detail other than that it is leasing acreage in the area. Some public data is available, but we are hearing EOG could have an acreage position of 250,000-300,000 net acres. We expect EOG to disclose its position at its analyst conference, which is scheduled for April 7th. Similar to our treatment for CHK, given the limited detail available, we have not assigned any value to EOG's Eagle Ford position.

87. A list of the companies profiled by Wells Fargo Securities in the March 9, 2010

Equity Research Report related to the Eagle Ford Shale trend included:

Anadarko Petroleum Corporation
Cabot Oil and Gas Corporation
Chesapeake Energy Corporation
ConocoPhillips Company
Devon Energy Corporation
El Paso Corporation EOG
Resources, Inc. Murphy
Oil Corporation
Newfield Exploration Company
Petrohawk Energy Corporation
Pioneer Natural Resources Company
Rosetta Resources Inc.
St. Mary Land & Exploration Company
Swift Energy Company

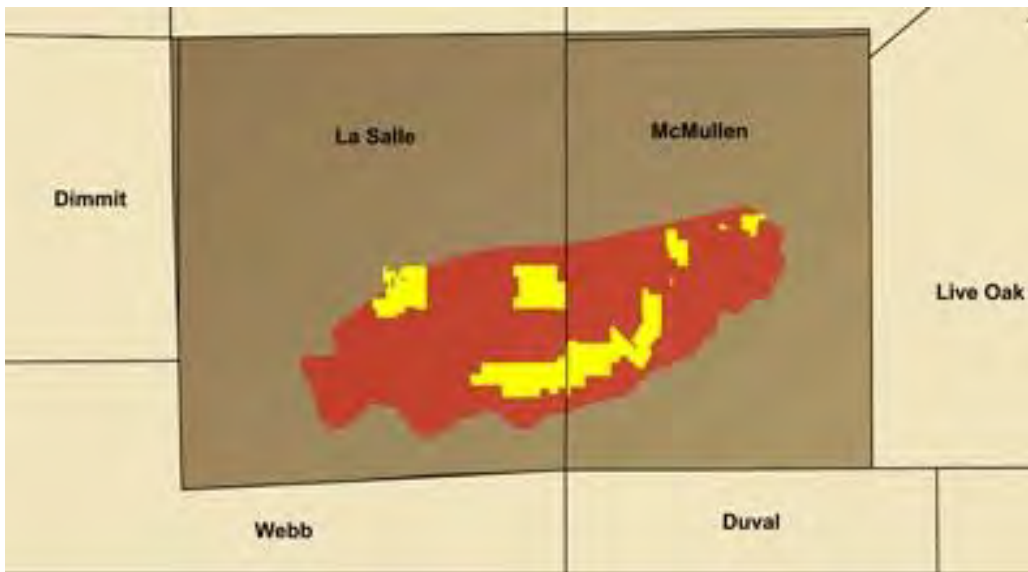
April 2010 -Eagle Ford Shale

88. According to the RRC, the forty-five permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during April 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Atascosa	EOG Resources, Inc.	Peeler Ranch West No. 112H	42-013-34300	6-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina East Rch No. 10H	42-127-33678	7-Apr-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 77 Unit No. 1H	42-323-33348	7-Apr-10
La Salle	Riley Exploration LLC	Gonzales No. 1H	42-283-32259	7-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 5H	42-479-40864	8-Apr-10
La Salle	Tidal Petroleum Inc.	STS No. 1H	42-283-32260	8-Apr-10
Dimmit	Anadarko E&P Company LP	Rogers Dentonio Ranch No. 2H	42-127-33679	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 2H	42-479-40865	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Briscoe -C- No. 3H	42-479-40866	9-Apr-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 16H	42-479-40869	9-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 4H	42-479-40867	12-Apr-10
Webb	Lewis Petro Properties, Inc.	San Roman -A- No. 6H	42-479-40868	12-Apr-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 9H	42-283-32262	13-Apr-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 2H ST	42-283-32225	15-Apr-10
Zavala	Petrohawk Operating Company	Mustang Ranch C No. 1H	42-507-32755	15-Apr-10
Webb	St. Mary Land & Exploration Co.	Galvan Ranch No. 15H	42-479-40878	15-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 13H	42-127-33680	16-Apr-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 2	42-283-32261	19-Apr-10
McMullen	San Isidro Development Co, L.C.	Epley No. 1H	42-311-34217	19-Apr-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 6H	42-311-34219	19-Apr-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 14	42-479-40883	20-Apr-10
Webb	Rosetta Resources Operating LP	Santa Cruz No.2	42-479-40881	20-Apr-10
Webb	Lewis Petro Properties, Inc.	Stewart Trust State No. 6H	42-479-40884	21-Apr-10
La Salle	Rosetta Resources Operating LP	Springer Ranch No.2	42-283-32263	21-Apr-10
Zavala	Strand Energy L.C.	Avery Addison No. 1H	42-507-32757	21-Apr-10
McMullen	Union Gas Operating Company	Martin-Mason Rch Unit A No. 1H	42-311-34220	21-Apr-10
McMullen	San Isidro Development Co, L.C.	Frances Dilworth No. 5H	42-311-34218	22-Apr-10
Webb	Chesapeake Operating, Inc.	PGE Browne No. 2H	42-479-40887	23-Apr-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 8016	42-479-40886	23-Apr-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -B- No. 1026	42-479-40888	23-Apr-10
Webb	Rosetta Resources Operating LP	Santa Cruz No. 3	42-479-40885	23-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 1H	42-127-33681	26-Apr-10
Webb	El Paso E & P Company, L.P.	Briscoe-Nunley A No. 1H	42-479-40889	27-Apr-10
Atascosa	EOG Resources, Inc.	Little L & C No. 2H	42-013-34304	27-Apr-10
McMullen	Swift Energy Operating, LLC	Quintanilla Me-You EF No. 1H	42-311-34224	27-Apr-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 2H	42-479-40882	28-Apr-10
La Salle	Petrohawk Operating Company	Bellows-Meuth No. 1H	42-283-32264	28-Apr-10
McMullen	Petrohawk Operating Company	J.V. Bracken No. 2H	42-311-34223	28-Apr-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina Ranch No. 4H	42-127-33684	29-Apr-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 4H	42-479-40891	29-Apr-10
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 2H	42-479-40893	29-Apr-10
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 4H	42-283-32265	29-Apr-10
La Salle	Petrohawk Operating Company	Henderson-Cenizo No. 5H	42-283-32266	29-Apr-10
La Salle	Chesapeake Operating, Inc.	Brownlow No. 1H	42-283-32270	30-Apr-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 3H	42-283-32271	30-Apr-10

May 2010- Eagle Ford Shale

89. On May 5, 2010, Talisman Energy Inc. announced their agreement with Common Resources, LLC to acquire 37,000 net acres in the Eagle Ford Shale play for \$360 million. The undeveloped acreage was located in La Salle and McMullen counties. Analysts attribute the unit value of \$9,730 per acre to all of the undeveloped acreage in the transaction. The transaction closed on May 19, 2010. A significant part of the Common Resources, LLC and Talisman Energy Inc. deal involved oil and gas leases under the *Washburn Ranch*. A map of the above referenced acreage follows:



According to Schedule 2.7, Page 3 of the Asset Purchase Agreement between II Common, LP and Talisman Energy USA, Inc., the allocated values to the undeveloped parts of two oil and gas leases that included rights to the Eagle Ford Shale under the *Washburn Ranch* follow:

<u>Common Lease No.</u>	<u>Lessor</u>	<u>Net Acres Per Lease</u>	<u>Allocated Value \$</u>
TX-041311-001 (Part of Petrohawk STS D Lease dated December 12, 2008)	South Texas Syndicate, a liquidating trust by JPMorgan Chase Bank, N.A., Trustee	7,519.17	78,294,000

<u>Common Lease No.</u>	<u>Lessor</u>	<u>Net Acres Per Lease</u>	<u>Allocated Value \$</u>
TX-042283-001 (Part of Whittier STS Lease dated February 1, 2009 from the June 13, 2007 Geophysical and Lease Option Agreement)	South Texas Syndicate, a liquidating trust by JPMorgan Chase Bank, N.A., Trustee	5,945.46	132,564,900

The allocated value attributable to acreage from the December 12, 2008 Petrohawk STS D Lease was \$10,412.59 per acre. The allocated value attributable to acreage from the February 1, 2009 Whittier STS Lease was \$22,296.83 per acre.

90. According to the RRC, the forty-seven permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the trend, issued during May 2010, follow:

<u>County</u>	<u>Operator Name</u>	<u>Well Name</u>	<u>API No.</u>	<u>Drilling Permit</u>
Dimmit	Anadarko E&P Company LP	Briscoe Catarina West No. 8H	42-127-33685	4-May-10
Dimmit	Anadarko E&P Company LP	South Spur State No. 2H	42-127-33686	4-May-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 34 Unit No. 1H	42-323-33351	4-May-10
La Salle	Petrohawk Operating Company	Gutierrez-Leyendecker No. 1H	42-283-32272	4-May-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 3H	42-479-40896	5-May-10
Webb	Chesapeake Operating, Inc.	PGE Dos No. 4H	42-479-40897	5-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 4H	42-311-34227	5-May-10
Webb	Escondido Resources II, LLC	Uvalde State No. 1H	42-479-40898	7-May-10
McMullen	Petrohawk Operating Company	Woodward G.U. No. 1H	42-311-34229	7-May-10
Webb	Laredo Energy LLC	State of Texas Hill Ranch No. 2H	42-479-40692	10-May-10
Webb	Lewis Petro Properties, Inc.	Gates 07-DR No. 3H	42-479-40902	10-May-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -C- No. 2H	42-479-40899	10-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 3H	42-311-34230	10-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Catarina North No. 1H	42-127-33687	13-May-10
Webb	Lewis Petro Properties, Inc.	N.D. Hachar Heirs No. 7H	42-479-40908	14-May-10
La Salle	Swift Energy Operating, LLC	Cardeen EF No. 1H	42-283-32274	14-May-10
La Salle	El Paso E & P Company, L.P.	Maltsberger No. 1H	42-283-32273	18-May-10
La Salle	Petrohawk Operating Company	Brown-Trusts No. 3H	42-283-32276	18-May-10
La Salle	Talisman Energy USA Inc.	STS No. 452H	42-283-32277	18-May-10
Dimmit	Anadarko E&P Company LP	Beinhorn Ranch No. 4H	42-127-33690	19-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 1H	42-127-33689	19-May-10
Maverick	Anadarko E&P Company LP	Tovar West-Lloyd 77 A No. 1HR	42-323-33353	20-May-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 5H	42-479-40918	20-May-10
Dimmit	Peregrine Petroleum LLC	Jred Ranch No. 3-1H	42-127-33691	20-May-10
McMullen	Chesapeake Operating, Inc.	Fox Creek Unit B No. 1H	42-311-34233	21-May-10
Webb	Lewis Petro Properties, Inc.	Booth Unocal -H- No. 62U	42-479-40925	21-May-10
Webb	Lewis Petro Properties, Inc.	Leyendecker-Hunter 1377 No. 1H	42-479-40923	21-May-10
La Salle	St. Mary Land & Exploration Co.	Briggs Ranch No. 1H	42-283-32278	21-May-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 3H	42-479-40929	21-May-10

County	Operator Name	Well Name	API No.	Drilling Permit
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- No. 4H	42-479-40924	21-May-10
McMullen	Swift Energy Operating, LLC	Y Bar EF No. 1H	42-311-34232	21-May-10
La Salle	Carrizo Oil & Gas Inc.	Mumme Ranch No. 10H	42-283-32281	24-May-10
La Salle	Carrizo Oil & Gas Inc.	Mumme Ranch No. 20H	42-283-32282	24-May-10
Dimmit	Chesapeake Operating, Inc.	JBGS No. 1H	42-127-33692	24-May-10
La Salle	Escondido Resources II, LLC	Seidel No.2H	42-283-32280	24-May-10
La Salle	Escondido Resources II, LLC	Seidel-Gonzalez No.1H	42-283-32279	24-May-10
Frio	Goodrich Petroleum Company	Frances B Shinner No.1 H	42-163-33413	24-May-10
La Salle	Carrizo Oil & Gas Inc.	Jasik Ranch No. 1H	42-283-32283	25-May-10
Dimmit	Anadarko E&P Company LP	Diamond H Ranch No. 2H	42-127-33693	26-May-10
Dimmit	Anadarko E&P Company LP	Diamond H State No. 2H	42-127-33694	26-May-10
La Salle	El Paso E & P Company, L.P.	Newman No. 1H	42-283-32284	26-May-10
La Salle	EOG Resources, Inc.	Hoff Ranch No. 8H	42-283-32275	26-May-10
Webb	Laredo Energy LLC	Rosa V. Benavides No. 7H	42-479-40932	26-May-10
La Salle	Petrohawk Operating Company	STS No. 6H	42-283-32285	26-May-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 2H	42-127-33696	27-May-10
McMullen	Swift Energy Operating, LLC	PC-Q EF No. 2H	42-311-34236	27-May-10
Dimmit	Anadarko E&P Company LP	Shape Ranch No. 3H	42-127-33695	28-May-10

91. Royal Dutch Shell plc acquired the rights to the oil and gas within the Eagle Ford Shale under the *Piloncillo Ranch* on May 12, 2010. The *Piloncillo Ranch*, owned by Daniel J. Harrison, III and family, covers approximately 106,000 acres of land in Dimmit, Webb and La Salle Counties, Texas. An excerpt from the June 3, 2010 issue of *A & D Transaction* follows:

Shell also acquired 100,000 acres in the Texas Eagle Ford Shale for a reported \$1.0 billion. The leasehold, located in southeast Dimmit County, brings Shell's Eagle Ford holdings to 250,000 net acres.

92. According to the Memorandum of Oil and Gas Lease filed for record with the County Clerk of Dimmit County on June 16, 2010, the Oil and Gas Lease from Harrison Interests, Ltd. to P Ranch Working Interest, LLC was executed on May 12, 2010. The oil and gas lease covered the depths below the top of the Austin Chalk formation under 105,937.48 acres of land. The address on the Memorandum for the Lessee, P Ranch Working Interest, LLC, was "c/o SWEPI LP, 200 N. Dairy Ashford, Houston, Texas 77079". SWEPI LP operates as a subsidiary of Royal Dutch Shell plc.

93. On May 28, 2010, Derrick Petroleum Services reported that Royal Dutch Shell plc paid \$9,434 per acre to Cathexis Oil & Gas, LLC for 106,000 net acres of "highly contiguous

acreage in the Eagle Ford Shale play in Harrison Ranch, Dimmit, La Salle and Webb counties of Texas.” Daniel J. Harrison, III and family own Cathexis Oil & Gas, LLC.

June 2010- Eagle Ford Shale

94. On June 14, 2010, Kohlberg Kravis Roberts & Co. (KKR) and Hilcorp Energy Company announced the agreement for KKR to invest up to \$400 million in Hilcorp Resources, LLC, a newly formed partnership created to own and develop Hilcorp’s oil and gas properties located in the Eagle Ford Shale trend of South Texas. The newly formed company will develop certain acreage within the Eagle Ford Shale, located in a two hundred mile long area in South Central Texas. According to the press release, the Eagle Ford Shale represents a promising energy development in North America. One of the newest shale plays in the country, the Eagle Ford Shale has become an increasingly attractive area of interest for oil and gas companies given that it benefits from a favorable (oil-weighted) commodity profile and is located proximate to existing oil and gas infrastructure and liquids product markets. Since there were no proved developed reserves included in the transaction, analysts ascribe the entire deal value to 40,000 net undeveloped acres at \$10,000 per acre.

95. On June 24, 2010, Reliance Industries Limited announced their agreement to enter into a joint venture with Pioneer Natural Resources Company. Reliance paid \$1.315 billion for its implied share of 118,350 net acres within the Eagle Ford Shale Trend. The consideration included cash payments of \$263 million and deferred payments of \$1.052 billion associated with a carry arrangement. Analysts attribute the unit value of \$10,027 per acre to the undeveloped acreage.

96. According to the RRC, the fifty-three permits to drill horizontal wells into the Eagle Ford Shale formation within the western part of the Eagle Ford Shale trend, issued during June 2010, follow:

County	<u>Operator</u> Name	Well Name	API No.	Drilling Permit
Webb	Lewis Petro Properties, Inc.	Jackson Vestal No. 1H	42-479-40938	1-Jun-10
Webb	St. Mary Land & Exploration Co.	San Ambrosia -D- GUI No. 5H	42-479-40939	1-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 3H	42-127-33699	2-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Cochina West Rch No. 4H	42-127-33700	2-Jun-10
Webb	Anadarko E&P Company LP	Stanley Ranch No. 2H	42-479-40940	2-Jun-10
Webb	Anadarko E&P Company LP	Worthey Ranch No. 2H	42-479-40941	2-Jun-10
Dimmit	Chesapeake Operating, Inc.	Pena Creek I No. 1H	42-127-33701	2-Jun-10
Dimmit	Newfield Exploration Company	Ferguson-McKnight 526 No. 1H	42-127-33698	2-Jun-10
La Salle	St. Mary Land & Exploration Co.	Hubbard Ranch No. 1H	42-283-32286	2-Jun-10
La Salle	Chesapeake Operating, Inc.	C5 No. 1H	42-283-32287	3-Jun-10
La Salle	Chesapeake Operating, Inc.	Edwards No. 1H	42-283-32288	3-Jun-10
Dimmit	Chesapeake Operating, Inc.	Pena Creek III No. 1H	42-127-33702	3-Jun-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 7H	42-479-40936	8-Jun-10
Webb	Chesapeake Operating, Inc.	Gates 010 Chk-B 1286 No. 8H	42-479-40937	8-Jun-10
La Salle	Petrohawk Operating Company	Gutierrez-Leyendecker No. 2H	42-283-32290	8-Jun-10
Dimmit	Newfield Exploration Company	CMWW B 36 No. 1H	42-127-33703	9-Jun-10
Maverick	Newfield Exploration Company	Comanche 5 No. 1H	42-323-33354	9-Jun-10
La Salle	Tidal Petroleum Inc.	Basham No. 1H	42-283-32291	9-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 3H	42-127-33705	10-Jun-10
Frio	Cabot Oil & Gas Corporation	Arminius Energy Trust No. 1	42-163-33415	10-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Carla Ranch No. 4H	42-127-33706	11-Jun-10
Webb	Lewis Petro Properties, Inc.	Galvan Ranch No. 8H	42-479-40952	11-Jun-10
Maverick	Anadarko E&P Company LP	Cage No. 4H	42-323-33355	14-Jun-10
La Salle	Petrohawk Operating Company	STS-B No. 2H	42-283-32268	14-Jun-10
Webb	Rosetta Resources Operating LP	Gates 05-D No. 2020	42-479-40951	14-Jun-10
La Salle	Cheyenne Petroleum Company	Irvin Family No. 3	42-283-32289	15-Jun-10
Dimmit	Rosetta Resources Operating LP	Light Ranch No.1	42-127-33707	15-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 2H	42-127-33708	17-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 5H	42-479-40953	17-Jun-10
Dimmit	Anadarko E&P Company LP	Briscoe Friday Ranch No. 3H	42-127-33709	18-Jun-10
Webb	Rosetta Resources Operating LP	Gates 09 Rose -A- BVP No.3	42-479-40954	18-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 7H	42-479-40957	18-Jun-10
Webb	XTO Energy Inc.	Las Raices Ranch No. 6H	42-479-40955	18-Jun-10
Frio	Goodrich Petroleum Company	GPC Pan Am B No. 1H	42-163-33413	21-Jun-10
Frio	Goodrich Petroleum Company	GPC Pan Am C No. 1H	42-163-33416	21-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- GUI No. 6H	42-479-40956	21-Jun-10
La Salle	Riley Exploration LLC	Joey Smith No. 3H	42-283-32295	22-Jun-10
McMullen	Chesapeake Operating, Inc.	Martin Mason B No. 1H	42-311-34239	23-Jun-10
La Salle	El Paso E & P Company, L.P.	Hixon No. 5H	42-283-32299	23-Jun-10
La Salle	Escondido Resources II, LLC	Schubert-Gaiser Unit 1 No. 1H	42-283-32296	23-Jun-10
La Salle	Escondido Resources II, LLC	Schubert-Gaiser Unit 1 No. 2H	42-283-32297	23-Jun-10
Webb	Lewis Petro Properties, Inc.	Gonzalez-State 1457 GU No. 1H	42-479-40958	23-Jun-10
La Salle	Petrohawk Operating Company	STS No. 8H	42-283-32298	23-Jun-10
Dimmit	Newfield Exploration Company	CMWW A 42 No. 1H	42-127-33712	24-Jun-10
Webb	Escondido Resources II, LLC	Laurel No. 1H	42-479-40961	25-Jun-10
La Salle	Hunt Oil Company	STS A- 1391 No. 1H	42-283-32300	25-Jun-10
Dimmit	Lewis Petro Properties, Inc.	Cotulla No. 2H	42-127-33713	25-Jun-10
Webb	Lewis Petro Properties, Inc.	Fasken State 1430 GU No. 1H	42-479-40959	25-Jun-10
Webb	Lewis Petro Properties, Inc.	Youngman GU No. 1H	42-479-40960	25-Jun-10
La Salle	Matador Production Company	JCM Jr Minerals No. 1H	42-283-32301	28-Jun-10
Webb	St. Mary Land & Exploration Co.	Briscoe -B- No. 4H	42-479-40963	29-Jun-10

County	Operator Name	Well Name	API No.	Drilling Permit
McMullen	Chesapeake Operating, Inc.	Martin Mason C No. 1H	42-311-34241	30-Jun-10
La Salle	Lewis Petro Properties, Inc.	Lyssey Family No. 2H	42-283-32302	30-Jun-10

97. A summary of monthly condensate production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease that covered 12,073.475 acres of land follows:

Production Month	STS No.1 RRCID 244785 Bbls	STS No.2H RRCID 254322 Bbls	STS No.3H RRCID 251818 Bbls	STS No.4H RRCID 254479 Bbls
Nov-09	1,333	2,683	2,354	4,697
Dec-09	806	2,231	2,013	2,890
Jan-10	1,166	2,145	1,256	2,213
Feb-10	662	1,346	1,279	1,968
Mar-10	1,295	1,279	1,313	1,846
Apr-10	835	1,108	1,097	1,647
May-10	815	934	977	1,433
Jun-10	749	934	913	1,240

98. A summary of monthly natural production from wells operated by Petrohawk Operating Company on the May 27, 2008 STS West Lease follows:

Production Month	STS No.1 RRCID 244785 Mcf	STS No.2H RRCID 254322 Mcf	STS No.3H RRCID 251818 Mcf	STS No.4H RRCID 254479 Mcf
Nov-09	49,500	98,297	53,243	172,075
Dec-09	46,525	71,218	55,058	118,598
Jan-10	44,084	56,599	51,311	76,817
Feb-10	40,527	46,099	40,345	67,292
Mar-10	44,138	44,228	39,946	64,372
Apr-10	38,249	36,570	32,046	53,478
May-10	36,343	32,315	29,197	47,605
Jun-10	34,565	29,524	25,938	38,332

99. A summary of monthly natural gas and condensate production from a well operated by Petrohawk Operating Company on the May 27, 2008 STS East Lease that covered 12,772.9325 acres of land follows:

	STS-B No.1H	STS-B No.1H
	RRCID	RRCID
Production Month	254484 Mcf	254484 Bbls
Nov-09	119,699	12,698
Dec-09	69,713	7,328
Jan-10	48,242	5,840
Feb-10	39,205	4,699
Mar-10	39,572	4,658
Apr-10	34,057	3,829
May-10	32,031	3,310
Jun-10	28,991	3,722

Activity on the Washburn Ranch

100. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 12,073.475 Acre May 27, 2008 STS West Lease colored “magenta”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STS	1	42-283-32144	244785
STS	2H	42-283-32203	254322
STS	3H	42-283-32204	251818
STS	4H	42-283-32206	254479
STS	5H	42-283-33373	Pending
STS	6H	42-283-32285	258270
STS	7H	42-283-33365	268485
STS	8H	42-283-32298	258421
STS	9H	42-283-32316	261253
STS	10H	42-283-32949	267681
STS	11H	42-283-32597	260601
STS	13H	42-283-32606	260605

101. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 12,772.9325 Acre May 27, 2008 STS East Lease colored “light blue”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STSB	1H	42-283-32198	254484
STS B	2H	42-283-33717	Pending
STSB	3H	42-283-33713	Pending
STSB	4H	42-283-33714	Pending

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
STSB	5H	42-283-33356	268926
STS B	6H	42-283-32652	261321
STSB	8H	42-283-32608	260603
STSB	13H	42-283-32992	266333

102. Talisman Energy USA Inc. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 9,416.785 Acre Geophysical and Lease Option Agreement, dated June 13, 2007 (January 29, 2009 STS BlackBrush Lease) colored “light brown”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
South Texas Syndicate	291H	42-283-32205	255011
South Texas Syndicate	292B	42-283-32726	268134
South Texas Syndicate	293B	42-283-32727	267023
South Texas Syndicate	451C	42-283-32376	260340
South Texas Syndicate	451H	42-283-32188	254365
South Texas Syndicate	452B	42-283-32342	260588
South Texas Syndicate	452C	42-283-32387	268314
South Texas Syndicate	452H	42-283-32277	258206
South Texas Syndicate	453C	42-283-32386	268310
South Texas Syndicate	454C	42-283-32388	268315
South Texas Syndicate	E1H	42-283-33212	269294
South Texas Syndicate	E2H	42-283-33870	Pending
South Texas Syndicate	G2H	42-283-32996	269096
South Texas Syndicate	G5H	42-283-33020	269092
South Texas Syndicate	M1H	42-283-33277	269249
South Texas Syndicate	7541H	42-283-32312	Pending
South Texas Syndicate	A2H	42-283-33296	Pending

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRCID</u>
South Texas Syndicate	H2H	42-283-33545	Pending
South Texas Syndicate	Y2H	42-283-33386	Pending

103. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 18,473.04 Acre December 12, 2008 STS A Lease colored in “brown outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A	1H	42-283-32191	252769
STS A	4H	42-283-32255	260176

104. BHP Billiton Pet (TXLA OP) Co. currently operates the following wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 16,903.43 Acre July 16, 2008 STS C Lease colored in “orange outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS C	4H	42-311-34534	262201
STS C	5H	42-311-34651	266249
STS C	6H	42-311-34694	267484
STS C	9H	42-311-35018	270101
STS C	11H	42-311-35024	269932

105. Hunt Oil Company currently operates the following well, classified in the Eagleville (Eagle Ford-1) Field, located on lands described in the 3,845.31 Acre December 12, 2008 STS North Lease colored in “blue outline” and pooled with a Northeast miscellaneous lease colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS North Unit 2	1H	42-311-35239	Pending

106. Talisman Energy USA Inc. currently operates the following well, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the 15,456.66 Acre December 12, 2008 STS D Lease colored in “green outline”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A	361H	42-311-34158	255968

107. Pioneer Natural Resources USA, Inc. currently operates the following oil wells, classified in the Eagleville (Eagle Ford-1) Field, located on lands described in the 1940 H.R. Cullen STS Oil and Gas Leases colored in “light green”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
Washburn Ranch 1	1H	42-283-32819	16067
Washburn Ranch 1	2H	42-283-32849	16067

108. BHP Billiton Pet (TXLA OP) Co. currently operates the following two wells, classified in the Hawkville (Eagleford Shale) Field, located on lands described in the December 12, 2008 STS A Lease and pooled with mineral classified tracts, each unit colored half “white”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A Kennedy-State Unit 1	1H	42-283-33190	267906
STS A Klauss-State Unit 1	1H	42-283-32684	265078

109. Hunt Oil Company currently operates the following oil wells, classified in the Eagleville (Eagle Ford-1) Field, located on lands in various leases executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS A - 692	1H	42-311-34601	15804
STS A - 692	2H	42-311-34650	15804
STS A - 692	3H	42-311-35019	15804
STS A - 692	4H	42-311-35326	Pending
STS A - 1391	1H	42-283-32300	15678
STS A - 1391	2H	42-283-32648	15678
STS A - 1391	3H	42-283-32872	15678
STS A - 1391	4H	42-283-32971	15678
STS A - 1391	5H	42-283-33006	15678

110. Tidal Petroleum, Inc. currently operates the following well, classified in the Briscoe Ranch (Eagleford) Field, located on lands in a lease executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS	1H	42-283-32260	262866

111. Tidal Petroleum, Inc. currently operates the following well, classified in the Eagleville (Eagle Ford-1) Field, located on lands in a lease executed before May 27, 2008, colored in “gray”:

<u>Well Name</u>	<u>Well No.</u>	<u>API No.</u>	<u>RRC ID</u>
STS	2H	42-283-32778	265231

112. There are no wells completed in the Eagle Ford Shale within the southeastern “gray” area.

Dollar Damages

113. In my opinion, the consideration and other monetary benefits related to the oil and gas leases, executed after May 27, 2008, did not reflect the market at the time JPMorgan should have leased certain minerals under the *Washburn Ranch*. The proper exercise of due diligence

would have resulted in oil and gas leases, granted by JPMorgan on behalf of the South Texas Syndicate Trust, that covered approximately 37,500 acres of minerals under the *Washburn Ranch* in November 2009. The market in November 2009 should have yielded a bonus of \$1,200 per net mineral acre. Therefore, the dollar damages suffered by the STS Beneficiaries, as a result of JPMorgan's mismanagement by entering into oil and gas lease transactions with Petrohawk Properties, LP after May 27, 2008, would be the difference between the bonus paid in transactions that reflected the November 2009 market for oil and gas leases in the Eagle Ford Shale trend and the actual dollars received by JPMorgan for bonus. The damage calculation, without adjustment, follows:

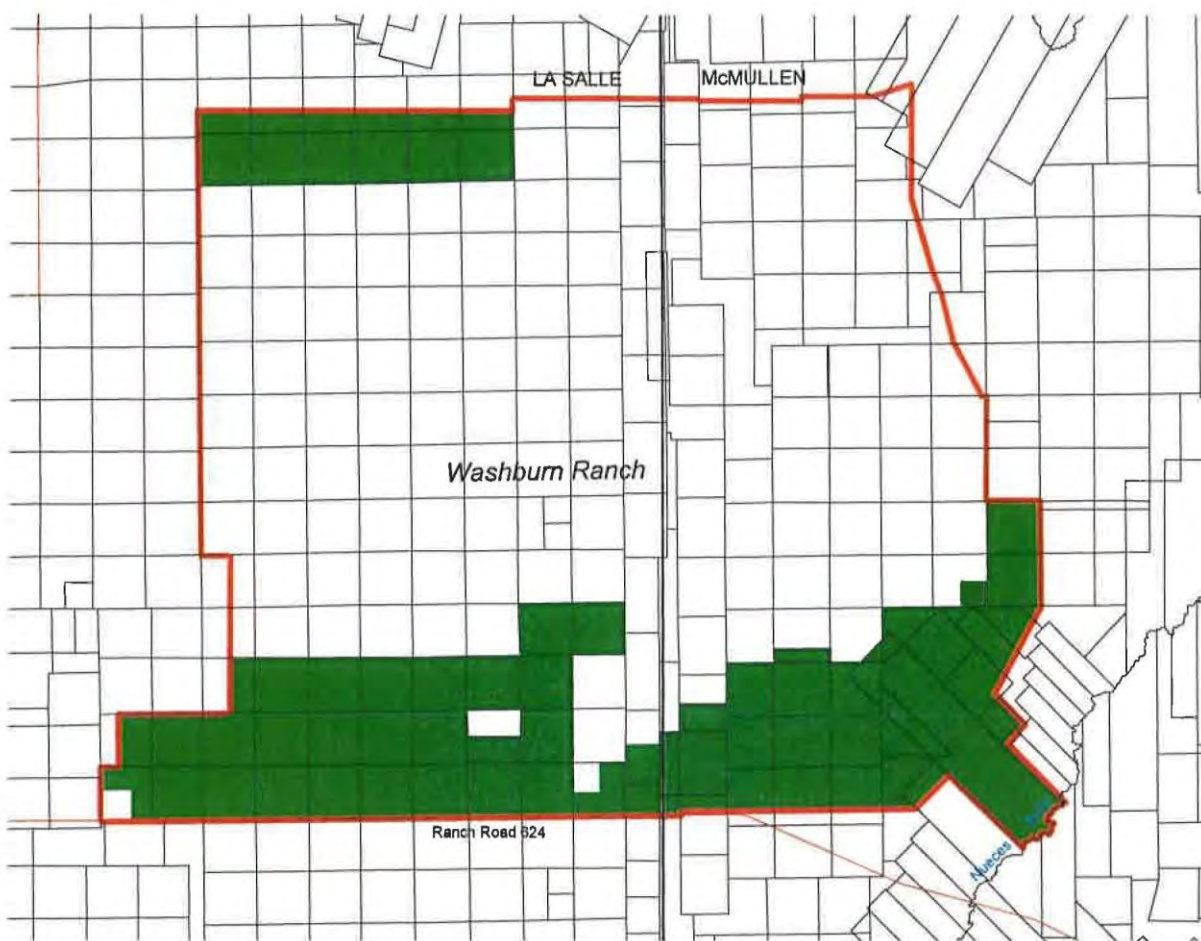
Market Price in November 2009	\$45,000,000
(\$1,200 per acre x 37,500 acres)	

114. In my opinion, the consideration and other monetary benefits related to the oil and gas leases, executed after May 27, 2008, did not reflect the market at the time JPMorgan should have leased certain minerals under the *Washburn Ranch*. The proper exercise of due diligence would have resulted in oil and gas leases, granted by JPMorgan on behalf of the South Texas Syndicate Trust, that covered approximately 41,400 acres of minerals under the *Washburn Ranch* in June 2010. The market in June 2010 should have yielded a bonus of \$9,000 per net mineral acre. Therefore, the dollar damages suffered by the STS Beneficiaries, would be the difference between the bonus paid in transactions that reflected the June 2010 market for oil and gas leases in the Eagle Ford Shale trend and the actual dollars received by JPMorgan for bonus. The damage calculation, without adjustment, follows:

The damage calculation, without adjustment, follows:

Market Price in June 2010	\$372,600,000
(\$9,000 per acre x 41,400 acres)	

115. A plat that depicts the approximate location of minerals under the *Washburn Ranch* that should have been leased in November 2009 follows:



116. A plat that depicts the approximate location of minerals under the *Washburn Ranch* that should have been leased in June 2010 follows:



117. The foregoing damage analysis that resulted in additional bonuses from oil and gas leases executed after May 27, 2008 was based on comparable transactions. The November 2009 oil and gas lease transaction that involved minerals under the southern part of the *Washburn Ranch* was based, in part, on the actual leases of certain minerals under the *Dos Hermanos Ranch* and *Browne Ranch* from PGE Mineral Properties, Ltd. to Chesapeake Exploration, L.L.C., as described in paragraph 67 of my Expert Report. The June 2010 oil and gas lease transaction that involved minerals under the northern part of the *Washburn Ranch* was based, in part, on the actual leases of certain minerals under the *Piloncillo Ranch* from Harrison Interests, Ltd. to P Ranch Working Interest, LLC, as described in paragraphs 92, 93 and 94 of my Expert Report. The total damages that result from JPMorgan's failure to secure bonuses that reflect the market were determined to be \$417,600,000. These damages should be reduced by

the actual bonuses received and any applicable fees related to the proper exercise of the management of the minerals leased in the above referenced transactions.

118. In my opinion, agreements related to the use of water under the *Washburn Ranch* should have provided that payments are due for water used to drill and frac wells located on lands covered by the oil and gas leases executed by JPMorgan. The market price for drilling with fresh water was \$1.50 per drilled foot. The market price for frac water used in fracture stimulations was \$0.50 per barrel. Therefore, the dollar damages suffered by the STS Beneficiaries as a result of JPMorgan's failure to provide for payments on fresh water in agreements related to the oil and gas leases would be the value of the lost payments for water at market rates. The calculation of damages, loss of payments due for water used to drill and frac wells on the *Washburn Ranch*, follows:

Original Operator	Lease Name	Well	Completion	Footage Feet	Footage Water Charges \$	Frac Water Bbls	Frac Water Charges \$	Damages \$
Petrohawk	STS-Palmert 944	1H	21-Jun-09	11,058	16,587	185,098	92,549	109,136
Petrohawk	STS A	4H	5-Mar-11	5,070	7,605	95,051	47,526	55,131
Petrohawk	STS A Kennedy-State Unit 1	1H	17-Apr-13	9,895	14,843	71,667	35,834	50,676
Petrohawk	STS A Klauss-State Unit 1	1H	13-Nov-11	10,290	15,435	66,711	33,356	48,791
Petrohawk	STS C	4H	14-Oct-11	4,370	6,555	75,312	37,656	44,211
Petrohawk	STS C	5H	28-Mar-12	10,197	15,296	72,997	36,499	51,794
Petrohawk	STS C	6H	25-Sep-12	4,806	7,209	86,793	43,397	50,606
Petrohawk	STS C	9H	1-Dec-12	4,860	7,290	85,887	42,944	50,234
Petrohawk	STS C	11H	25-Feb-13	4,818	7,227	85,887	42,944	50,171
Petrohawk	STS	1	21-Oct-08	6,942	10,413	85,887	42,944	53,357
Petrohawk	STS	2H	6-Oct-09	4,220	6,330	195,000	97,500	103,830
Petrohawk	STS	3H	17-Sep-09	4,150	6,225	85,887	42,944	49,169
Petrohawk	STS	4H	21-Oct-09	4,215	6,323	240,000	120,000	126,323
Petrohawk	STS	5H	26-Nov-12	4,145	6,218	91,128	45,564	51,782
Petrohawk	STS	6H	5-Nov-10	9,684	14,526	120,026	60,013	74,539
Petrohawk	STS	7H	22-Dec-12	4,180	6,270	69,268	34,634	40,904
Petrohawk	STS	8H	23-Nov-10	9,821	14,732	109,981	54,991	69,722
Petrohawk	STS	9H	23-Jul-11	4,192	6,288	91,256	45,628	51,916
Petrohawk	STS	10H	16-Aug-12	4,107	6,161	69,704	34,852	41,013
Petrohawk	STS	11H	24-Jul-11	4,190	6,285	117,931	58,966	65,251
Petrohawk	STS	13H	27-Apr-12	4,186	6,279	88,578	44,289	50,568
Petrohawk	STS B	1H	3-Nov-09	4,150	6,225	85,887	42,944	49,169

Original Operator	Lease Name	Well	Completion	Footage Feet	Footage Water	Frac	Frac	Damages
					Charges	Water	Water	
					\$	Bbls	\$	\$
Petrohawk	STS B	2H	NA	4,990	7,485	NA	NA	7,485
Petrohawk	STS B	3H	NA	5,014	7,521	NA	NA	7,521
Petrohawk	STS B	4H	NA	4,998	7,497	NA	NA	7,497
BHP	STS B	5H	28-Apr-13	4,251	6,377	75,528	37,764	44,141
Petrohawk	STS B	6H	21-Oct-11	4,091	6,137	84,529	42,265	48,401
Petrohawk	STS B	8H	18-Oct-11	4,182	6,273	60,058	30,029	36,302
Petrohawk	STS B	13H	27-Apr-12	4,324	6,486	66,349	33,175	39,661
Common	South Texas Syndicate	291H	4-Nov-09	5,092	7,638	113,755	56,878	64,516
Talisman	South Texas Syndicate	292B	13-Feb-12	10,677	16,016	113,755	56,878	72,893
Talisman	South Texas Syndicate	293B	13-Feb-12	6,264	9,396	112,136	56,068	65,464
Talisman	South Texas Syndicate	451C	22-Sep-11	6,572	9,858	112,136	56,068	65,926
Common	South Texas Syndicate	451H	3-Aug-09	NA	NA	NA	NA	NA
Talisman	South Texas Syndicate	452B	25-Mar-12	9,857	14,786	137,018	68,509	83,295
Talisman	South Texas Syndicate	452C	23-Sep-11	6,530	9,795	61,008	30,504	40,299
Talisman	South Texas Syndicate	452H	26-Apr-12	6,328	9,492	89,852	44,926	54,418
Talisman	South Texas Syndicate	453C	22-Sep-11	6,700	10,050	138,580	69,290	79,340
Talisman	South Texas Syndicate	454C	22-Sep-11	9,116	13,674	95,198	47,599	61,273
Talisman	South Texas Syndicate	E1H	28-Sep-12	5,665	8,498	136,371	68,186	76,683
Talisman	South Texas Syndicate	E2H	26-Sep-13	5,705	8,558	86,601	43,301	51,858
Talisman	South Texas Syndicate	G2H	8-Aug-12	5,595	8,393	100,960	50,480	58,873
Talisman	South Texas Syndicate	G5H	8-Aug-12	5,600	8,400	57,112	28,556	36,956
Talisman	South Texas Syndicate	M1H	29-Sep-12	5,725	8,588	112,833	56,417	65,004
Talisman	South Texas Syndicate	7541H	18-Jun-13	5,728	8,592	92,357	46,179	54,771
Talisman	South Texas Syndicate	A2H	22-Apr-13	5,650	8,475	124,772	62,386	70,861
Talisman	South Texas Syndicate	H2H	29-Apr-13	5,680	8,520	84,844	42,422	50,942
Talisman	South Texas Syndicate	Y2H	18-Apr-13	5,685	8,528	77,845	38,923	47,450
Common	STS A	361H	2-Feb-10	10,109	15,164	NA	NA	15,164
Pioneer	Washburn Ranch 1	1H	19-Mar-12	4,543	6,815	80,470	40,235	47,050
Pioneer	Washburn Ranch 1	2H	19-Mar-12	4,506	6,759	74,650	37,325	44,084
Hunt	STS North Unit 2	1H	NA	NA	NA	NA	NA	NA
Hunt	STS A - 692	1H	16-Dec-11	6,546	9,819	83,898	41,949	51,768
Hunt	STS A - 692	2H	15-Dec-11	6,550	9,825	51,857	25,929	35,754
Hunt	STS A - 692	3H	25-Feb-13	6,582	9,873	229,216	114,608	124,481
Hunt	STS A - 692	4H	27-Jul-13	6,330	9,495	231,830	115,915	125,410
Hunt	STS A - 1391	1H	25-Oct-10	10,307	15,461	52,119	26,060	41,520
Hunt	STS A - 1391	2H	9-Sep-11	6,025	9,038	77,532	38,766	47,804
Hunt	STS A - 1391	3H	10-May-12	6,200	9,300	139,343	69,672	78,972
Hunt	STS A - 1391	4H	25-Apr-12	6,232	9,348	141,422	70,711	80,059
Hunt	STS A - 1391	5H	12-Oct-12	6,130	9,195	211,665	105,833	115,028
Tidal	STS	1H	15-Nov-10	4,191	6,287	47,500	23,750	30,037
Tidal	STS	2H	26-Apr-12	4,264	6,396	59,190	29,595	35,991

The dollar damages suffered by the STS Beneficiaries that relate to payments never received for water total \$3,503,233.

119. Furthermore, the STS Beneficiaries have lost royalty as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The fair market value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank" days, leases with large acreage amounts, and agreements to group individual leases into "Companion Leases" has resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*. I plan to timely supplement my Expert Report prior to trial to provide these additional damage amounts.

120. This affidavit also contains my expert opinions on damages related to the Plaintiffs' claims of diminished fair market value of certain royalty interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the "South Texas Syndicate Trust"), under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the "STS Beneficiaries") against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate Trust, and Gary P. Aymes (collectively referred to herein as "JPMorgan"). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the mineral interests owned by the South Texas Syndicate Trust. Certain dollar damages that result from JPMorgan's failure to properly manage the minerals of the South Texas Syndicate Trust can be computed as the difference in value at January 1, 2013, based on the actual engineering work done by Ryder Scott Company, L.P. for JPMorgan, and the value of royalty attributable to the South Texas

Syndicate Trust had JPMorgan's negotiations of oil and gas leases resulted in appropriate acreage sizes, satisfactory primary terms and adequate continuous development provisions.

121. Ryder Scott Company, L.P. prepared a report for JPMorgan on the estimated recoverable hydrocarbon reserves, contingent resources and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. In the March

122. 28, 2013 cover letter to JPMorgan that accompanied the report, Ryder Scott Company, L.P. described their estimate of proved, probable and possible reserves, future production and income and their estimate of contingent resources, future production and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. The reserves and contingent resource volumes were based on the definitions and disclosure guidelines contained in the Petroleum Resources Management System, promulgated by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

123. At the request of JPMorgan, Ryder Scott Company, L.P. used PHDWin Petroleum Economic Evaluation Software to establish the reserves and contingent resources, future production, and income attributable to the royalty interests owned by the South Texas Syndicate Trust in the *Washburn Ranch*. The PHDWin software is the copyrighted program of TRC Consultants, L.C.

124. According to Ryder Scott Company, L.P., the operators of oil and gas leases within the Washburn Ranch supplied the development plans and undeveloped well locations to JPMorgan. In the petroleum engineering study conducted by Ryder Scott Company, L.P. for JPMorgan, consideration was given to the actual terms and provisions reflected in oil and gas leases that cover minerals owned by the South Texas Syndicate Trust. However, the

development plans and undeveloped well locations provided by oil and gas lease operators to JPMorgan and used by Ryder Scott Company, L.P. do not reflect the drilling schedule, in terms of timing, that would have resulted from properly managed minerals had JPMorgan acted in the best interest of the STS Beneficiaries.

125. Furthermore, the STS Beneficiaries have sustained damages as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the continuous development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank" days, leases with large acreage amounts, and agreements to group individual leases into "Companion Leases" have resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*.

126. The methodology employed by Ryder Scott Company, L.P. to value the royalty at January 1, 2013 should be used to value the royalty attributable to the South Texas Syndicate Trust that would result from a drilling schedule derived from prudent lease provisions. The economic factors originally used by Ryder Scott Company, L.P. should remain constant in the valuation that utilizes a drilling schedule with acceptable continuous development lease provisions. In fact, the PHDWin Petroleum Economic Evaluation Software should be used to establish the reserves and contingent resources, future production, and income attributable to royalty in the *Washburn Ranch* based on the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust. In my opinion, the difference in the value derived from the drilling schedule anticipated by Ryder Scott

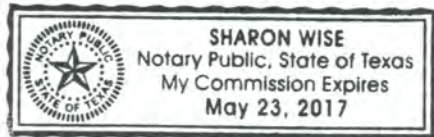
Company, L.P. and reflected in the existing report and the value derived from the drilling schedule that results from prudent continuous development lease provisions would be additional dollar damages sustained by the STS Beneficiaries in this matter.

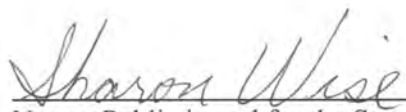
126. I do not own a beneficial interest in the South Texas Syndicate Trust and have not been employed on a contingent basis. Compensation for my work in the above referenced matter has been made on an hourly basis at the rate of \$385.00 per hour. Expenses have also been reimbursed at their actual cost. Compensation for future work in connection with the subject matter, including testimony at trial, will be made on the same basis.

FURTHER AFFIANT SAYETH NOT.


CHARLES E. GRAHAM, III

Subscribed and sworn to before me, the undersigned notary, on February 27, 2014.




Notary Public in and for the State of Texas

My Commission expires:

5-23-2017

TAB 5

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

v.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

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IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

SUPPLEMENTAL AFFIDAVIT OF JAMES K. O'CONNELL

STATE OF TEXAS §
 §
COUNTY OF DALLAS §

On this day before me personally appeared James K. O'Connell, known to me, who did depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

2. Prudent and Competent Trust Management. Prior to the time that Petrohawk approached JP Morgan regarding the Trust property, Petrohawk had publically announced that it had transformed its operations into being primarily in shale development. In 2008, Petrohawk approached JP Morgan expressing an interest in leasing all or a significant portion of the mineral interests that were available or could become available by the lapse of existing leases. At that point clearly Petrohawk was very serious about entering into leases for all or a significant portion of the mineral interests, and given Petrohawk's intent to focus on drilling opportunities in shale

formations similar to the Eagle Ford, JP Morgan should have understood the value of a mineral interest of the size and scope of the one held in the Trust, not only to Petrohawk but potentially to other similar entities.

3. After being approached by Petrohawk, JP Morgan should have realized that Petrohawk's likely interest was in horizontal drilling shale resource plays. Ms. Ormond has admitted that she has experience in and knowledge of other shale developments and that she knew that in many of those other shale developments, bonus payments on future leases rose significantly. Also, she should have realized that Petrohawk's interest in leasing the mineral interests likely could have led to other parties being interested in leasing portions of the mineral interests, including as a part of a competitive bidding environment. After Petrohawk completed a successful well on Trust property, an additional 38,000 acres of Trust mineral interests remained available for lease; yet on the day after the public announcement of the successful well Ms. Ormond agreed with Petrohawk that she would recommend that JP Morgan lease this additional acreage to Petrohawk, which they did. Representatives of Petrohawk have admitted that one reason for their haste in trying to enter into additional leases of Trust property was their very real concern that bonus prices would likely increase significantly.

4. JP Morgan reported to the beneficiaries in September of 2008 that they had opportunities to lease the majority of the Trust's remaining land but were inclined to wait until after the first of 2009. This stated caution in entering into additional leases was prior to the announcement of the discovery well. In November of 2008, JP Morgan reported that the discovery well had been drilled commenting that it was very excited about the quality of the well and that the likelihood of additional wells being drilled seems very good. In spite of this stated caution to lease and their excitement over the quality of the discovery well, JP Morgan had

already committed to enter into three subsequent additional leases with Petrohawk on essentially the same terms, if not on less favorable terms for the Trust.

5. Section 117.005 of the Texas Uniform Prudent Investor Act provides that a trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying. After the May Petrohawk leases and after the announcement of the discovery well, JP Morgan had an opportunity to exercise reasonable caution in the further leasing of the property, including further exploring the potential that other entities would be interested in the property. This could have permitted JP Morgan to enter into leases with more than one entity on potentially more favorable terms, rather than entering into leases with one entity for almost 80,000 acres on essentially the same terms, all within an eight month period. The evolving prospects of the Eagle Ford after the discovery well gave JP Morgan the opportunity to exercise caution and to diversify not only the entities that held leases but also the possible terms upon which the properties would be developed and upon how Trust would be compensated for its mineral interests. Exercising this caution in this evolving environment and process would not have required any speculation on the part of JP Morgan, just the use of prudent and reasonable caution.

6. Duty of Loyalty and Duty of Full Disclosure. Under Texas law and common law, the Defendants owe to the beneficiaries a strict duty of loyalty in administering the Trust. In addition, JP Morgan had a common law duty to keep the beneficiaries reasonably informed as to the status of the Trust administration and as to non-routine transactions having significant impact on the Trust and its beneficiaries. A trustee has the duty of providing beneficiaries with full disclosure of material information which may affect their interests, and the disclosure should be made in a timely manner that allows the beneficiaries to protect their interests.

7. Evidence suggests that JP Morgan engaged in a number of imprudent actions in connection with the management of the Trust property that ultimately provided substantial assistance to its commercial clients. This includes Hunt Oil Company in connection with approximately 10,300 acres of Trust property covered by four leases.

8. For the period from 2010 through 2012, Hunt Oil Company was a substantial commercial client of JP Morgan. Mr. Tompkins was the primary Bank officer responsible for the management of the Trust property during this period.

9. In 2010 Hunt Oil approached JP Morgan seeking amendments to the four leases to provide for lease term extensions, the right to pool acreage, retained acreage amendments and dramatically decreased drilling obligations. Hunt Oil made it clear to Mr. Tompkins that these lease amendments were important to Hunt Oil. When Hunt Oil did not get the response that they wanted, they made it clear to Mr. Tompkins that Hunt Oil did a great deal of business with JP Morgan and that senior level management of Hunt Oil were prepared, willing and anxious to make requests to their counterparts at JP Morgan to seek the amendments be expedited. A representative of Hunt Oil has testified that indeed that contact was made. Subsequently, JP Morgan agreed with Hunt Oil to the amendments for less than a reasonable level of compensation. These amendments were entered into even after lease bonus prices had escalated in many cases to nearly \$10,000. A prudent trustee would have enforced the original leases and potentially have the opportunity to market any relinquished acreage in 2010.

10. In January of 2012, Hunt Oil publically announced that it had divested 35% of its interest in its Eagle Ford holdings to Marubeni, a Japanese company. This transaction included the Trust acreage covered by the four leases. It is my understanding that the value placed on the mineral interests sold to Marubeni was approximately \$15,000 per acre. JP Morgan should have

known that these leases were a part of the Marubeni transaction as Marubeni's name was on the lease assignment signed by JP Morgan.

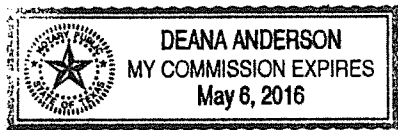
11. Two of the four leases were to expire by their terms in July of 2012, with the mineral interest then reverting to the Trust. In May 2012, Hunt Oil sought a 60 day extension of these two leases to prevent them from expiring and reverting to the Trust. Although Hunt Oil paid \$175,000 for extending one of the expiring leases, it allowed the other lease to expire. In August of 2012, however, JP Morgan agreed to renew the expired lease for approximately \$3.9 million. JP Morgan likewise agreed to grant extensions on the remaining two leases, which were not expiring for another year, for no compensation. JP Morgan agreed to this level of consideration in spite of the \$15,000 per acre value placed on the mineral interests.

12. Based upon evidence and testimony, I am of the opinion that JP Morgan failed to exercise a reasonable and sufficient level of care, skill and caution in the management of the Trust to ensure that it placed the interests of the Trust and its beneficiaries ahead of its own and to ensure that it made full disclosure of the status of the Trust administration and of significant, non-routine, and material information to the beneficiaries.

FURTHER AFFIANT SAYETH NOT.

James K. O'Connell
James K. O'Connell

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.



Deana Anderson
Notary Public in and for the State of Texas

My commission expires:

May 6, 2016

TAB 6

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET AL.,

Plaintiffs,

V.

JPMORGAN CHASE BANK, N.A.,
INDIVIDUALLY/CORPORATELY AND
AS TRUSTEE OF THE SOUTH TEXAS
SYNDICATE TRUST AND GARY P.
AYMES,

Defendants.

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

SUPPLEMENTAL AFFIDAVIT OF ROBERT E. LEE, III

STATE OF TEXAS §
§
COUNTY OF DALLAS §

On this day before me personally appeared Robert E. Lee, III, known to me, who did
depose on his oath and state as follows:

1. I have personal knowledge of all the facts stated in this declaration, all of which are true and correct. I am over the age of eighteen (18) years, have never been convicted of a felony, and am fully competent to testify. I could and would testify competently to these facts if called as a witness.

2. This supplemental affidavit contains my opinions in this case as an expert witness relating to Plaintiffs' claims of mismanagement by the Trustee and others of certain minerals owned by the South Texas Syndicate, a liquidating trust, under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. As described in the Plaintiffs' Sixth Amended Petition, claims raised herein affecting the management of oil and gas on the properties at issue. My observations and conclusions are based upon my examination of the documents that have been

subject to discovery in this case. Discovery is not complete in this case; therefore, I reserve the right to review all additional discovery and the depositions of witnesses to modify, amplify or add to the conclusions arising out of the matters discussed herein.

Hunt Leases ~10,373 acres

3. The Defendant entered into certain oil and gas leases known as the Hunt Leases. The Hunt Leases encumber approximately 10,373 mineral acres owned by the South Texas Syndicate Trust, “STS” and administered by Defendant as Trustee. The acreage was leased by means of four (4) individual leases; Hunt STS A (2006), Hunt STS A-692 (2006), Hunt STS A-1391 (2006), and Hunt – Broad Oak STS (2007). No wells were drilled in the primary term of the lease(s) which expired in 2008, 2009 and 2010. A prudent mineral manager would not have amended these leases under the amendment terms granted by the Defendant. The Hunt Leases should have been relinquished to the lessor based on the terms of the original lease(s).

4. The Defendant’s actions to perpetuate the Hunt leases directly caused economic loss to “STS”. The lease terms for Hunt Leases (~10,373 acres) and the Talisman Lease (~9,417 acres) were negotiated under similar economic conditions, location, size, and lease terms. The Talisman Lease provided for a two-year seismic option with the right to lease acreage under a two-year primary term. The Defendant did not provide any amendments to the Talisman Lease. The Ryder Scott 2013 reserves estimate indicated Future Net Revenue and Net Present Value to the Talisman Lease of ~\$500,000,000 and ~\$245,000,000 (103 wells) and the Hunt Leases of ~\$210,000,000 and ~\$70,000,000 (76 wells). The well density for the Talisman Lease and Hunt Leases are ~90 acres and ~135 acres, respectively.

5. The Talisman Lease was formally the Common Resources Lease and formally the Blackbrush / Whittier Lease. Talisman acquired rights from Common Resources at ~\$22,300 per acre in January 2010.

6. The Hunt Leases were formally the Broad Oak Leases. The Defendant perpetuated these leases by granting lease amendments on July 16, 2009, extending the primary term some nine months subsequent to the public announcement by Petrohawk of its discovery well some ~four miles southwest of the Hunt Leases. The Defendant thereby prohibited the ability of “STS” to offer the acreage to the market at a future date. The July 2009 lease amendment allowed Broad Oak to sell the leasehold rights in the acreage to Hunt Oil Company and its partners for an undisclosed consideration.

7. The Defendant continued to add value to the Hunt acreage leasehold (2010-2012) by granting amendments to allow for pooling, nearly five times more retained acreage than density drilled by the Talisman Lease, additional primary term and reducing the annual wells drilled requirement for continuous operations by ~40%. The Defendant’s actions allowed Hunt and its partners to monetize the Defendant’s amendments by selling leasehold rights to Murphy Oil and Marubeni. The Marubeni leasehold sale by Hunt equated to an implied ~\$15,000 per acre for a minority non-operated working interest position.

8. In my opinion, the Hunt Leases did not require Lessor consent for the numerous leasehold assignments executed for the period 2007-2012, albeit a prudent mineral manager would seek advice from competent energy contract counsel. If the Defendant was not required to consent to the assignments of the Hunt leasehold, ratification of those leases unnecessarily occurred, thereby impeding the ability of the Lessor to seek termination of expired leases.

9. Marubeni acquired a leasehold interest in the Hunt Leases effective December 2011. The Defendant received notice of the leasehold sale January 5, 2012. Defendant obtained a hydrocarbon reserves report for “STS” from Ryder Scott in April 2011. May 2012 through August 2012 Defendant contemplated the amendments to the Hunt Leases. Testimony indicates Ryder Scott was not contacted to provide value guidance with regard to the 2012 amendments. Defendant amended Hunt Leases subsequent to the implied leasehold value of ~\$15,000 per acre as evidenced by the Marubeni leasehold transaction.

10. Defendants file – R76042002 dated August 15, 2012 (re: Proposal for Amendment of Oil and Gas Lease(s) – Hunt Oil Company, et al – Lessee) omits the Hunt partners - Murphy Oil and Hunt - Marubeni leasehold conveyances. Defendant authorized approval of the Hunt amendments on August 15, 2012. Defendant’s third-party counsel email dated August 21, 2012 suggests the amendment was in negotiation form with no final amendment agreed upon. In my opinion, the approval authorized by the Defendant’s oversight committee on August 15, 2012 served no legitimate purpose as all of the facts and issues were not properly disclosed and the final terms of the amendment were not known at the time of approval.

11. The timeline and fact pattern with regard to the aforementioned actions taken by the Defendant’s clearly demonstrate the Trustee’s unfettered desire to increase the value of the “STS” leasehold estate to the detriment of the “STS” leased-fee estate.

FURTHER AFFIANT SAYETH NOT.



Robert E. Lee, III

Subscribed and sworn to before me, the undersigned notary public, on February 27, 2014.



Notary Public in and for the State of Texas

My commission expires:

1-27-16

TAB 7

JOHN K. MEYER, ET AL.,	§	IN THE DISTRICT COURT
	§	
<i>Plaintiffs,</i>	§	
	§	
v.	§	
	§	
JPMORGAN CHASE BANK, N.A.,	§	225TH JUDICIAL DISTRICT
INDIVIDUALLY/CORPORATELY AND	§	
AS TRUSTEE OF THE SOUTH TEXAS	§	
SYNDICATE TRUST AND GARY P.	§	
AYMES,	§	
	§	
<i>Defendants.</i>	§	BEXAR COUNTY, TEXAS

STATE OF TEXAS §
§
COUNTY OF DALLAS §

2. This supplemental affidavit contains my expert opinions on damages related to the Plaintiffs' claims of diminished fair market value of certain royalty interests owned by the South Texas Syndicate, a liquidating trust (referred to herein as the "South Texas Syndicate Trust"), under the *Washburn Ranch* located in La Salle and McMullen Counties, Texas. The claims were brought by John K. Meyer, et al. (collectively referred to herein as the "STS

Beneficiaries”) against JPMorgan Chase Bank, N.A. Individually/Corporately and as Trustee of the South Texas Syndicate Trust, and Gary P. Aymes (collectively referred to herein as “JPMorgan”). Based on my ongoing investigation, it is my opinion that JPMorgan did mismanage the mineral interests owned by the South Texas Syndicate Trust. Certain dollar damages that result from JPMorgan’s failure to properly manage the minerals of the South Texas Syndicate Trust can be computed as the difference in value at January 1, 2013, based on the actual engineering work done by Ryder Scott Company, L.P. for JPMorgan, and the value of royalty attributable to the South Texas Syndicate Trust had JPMorgan’s negotiations of oil and gas leases resulted in appropriate acreage sizes, satisfactory primary terms and adequate continuous development provisions.

3. Ryder Scott Company, L.P. prepared a report for JPMorgan on the estimated recoverable hydrocarbon reserves, contingent resources and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. In the March 28, 2013 cover letter to JPMorgan that accompanied the report, Ryder Scott Company, L.P. described their estimate of proved, probable and possible reserves, future production and income and their estimate of contingent resources, future production and income attributable to certain royalty interests of the South Texas Syndicate Trust, as of January 1, 2013. The reserves and contingent resource volumes were based on the definitions and disclosure guidelines contained in the Petroleum Resources Management System, promulgated by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

4. At the request of JPMorgan, Ryder Scott Company, L.P. used PHD*Win* Petroleum Economic Evaluation Software to establish the reserves and contingent resources, future

production, and income attributable to the royalty interests owned by the South Texas Syndicate Trust in the *Washburn Ranch* at January 1, 2013. The PHDWin software is the copyrighted program of TRC Consultants, L.C. I have also used PHDWin Petroleum Economic Evaluation Software to identify the incremental dollar values set out in a subsequent paragraph of my report. I have a copy of the PHDWin database generated by Michael F. Stell, Advising Senior Vice President of Ryder Scott Company, L.P., and others during their royalty valuation work at January 1, 2013 for JPMorgan. The PHDWin database, created by Ryder Scott Company, L.P., was used, in part, to quantify the additional royalty values set out in my report.

5. According to Ryder Scott Company, L.P., the operators of oil and gas leases within the Washburn Ranch supplied the development plans and undeveloped well locations to JPMorgan. In the petroleum engineering study conducted by Ryder Scott Company, L.P. for JPMorgan, consideration was given to the actual terms and provisions reflected in oil and gas leases that cover minerals owned by the South Texas Syndicate Trust. However, the development plans and undeveloped well locations provided by oil and gas lease operators to JPMorgan and used by Ryder Scott Company, L.P. do not reflect the drilling schedule, in terms of timing, that would have resulted from properly managed minerals had JPMorgan acted in the best interest of the STS Beneficiaries.

6. Furthermore, the STS Beneficiaries have sustained damages as the direct result of JPMorgan's failure to incorporate adequate continuous development provisions into each oil and gas lease with Petrohawk Properties, LP and others. The value of the royalty owned by the South Texas Syndicate Trust is lower due to the failure of JPMorgan to properly negotiate the continuous development terms in the oil and gas leases. JPMorgan's failure to secure adequate development obligations from the lessees because of the extended primary terms, use of "bank"

days, leases with large acreage amounts, and agreements to group individual leases into “Companion Leases” have resulted in fewer horizontal Eagle Ford Shale completions under the *Washburn Ranch*.

7. The methodology employed by Ryder Scott Company, L.P. to value the royalty at January 1, 2013 was used to value the royalty attributable to the South Texas Syndicate Trust that would result from a drilling schedule derived from prudent lease provisions. The economic factors originally used by Ryder Scott Company, L.P. remained constant in the valuation that utilized a drilling schedule with acceptable continuous development lease provisions. In fact, the PHDWin Petroleum Economic Evaluation Software was used to establish the reserves and contingent resources, future production, and income attributable to royalty in the *Washburn Ranch* based on the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust.

8. Robert E. Lee, III, prepared the drilling schedule that would result from the proper administration of the mineral assets owned by the South Texas Syndicate Trust. An excerpt from a Robert E. Lee, III schedule that contrasts the original work done by Ryder Scott Company, L.P. for JPMorgan in their valuation at January 1, 2013 with the accelerated drilling plan that would have resulted from continuous development lease provisions secured by a prudent mineral manager follows:

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS 55H	2013	2010	PV-UD	BHP
STS 54H	2013	2010	PV-UD	BHP
STS 53H	2013	2010	PV-UD	BHP
STS 23H	2013	2010	PV-UD	BHP
STS 22H	2013	2010	PV-UD	BHP
STS 21H	2013	2010	PV-UD	BHP
STS-B 4H	2013	2010	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-B 3H	2013	2010	PV-UD	BHP
STS-B 2H	2013	2010	PV-UD	BHP
STS 84-1	2014	2010	PV-UD	BHP
STS 97-3	2014	2010	PV-UD	BHP
STS 97-2	2014	2010	PV-UD	BHP
STS 97-1	2014	2010	PV-UD	BHP
STS 110-1	2014	2010	PV-UD	BHP
STS 27H	2014	2010	PV-UD	BHP
STS 34H	2014	2010	PV-UD	BHP
STS 24H	2014	2010	PV-UD	BHP
STS-B 756-1H	2014	2010	PV-UD	BHP
STS-B 755-1H	2014	2010	PV-UD	BHP
STS-B 61H	2014	2010	PV-UD	BHP
STS-B 60H	2014	2010	PV-UD	BHP
STS-B 57H	2014	2010	PV-UD	BHP
STS-B 41H	2014	2010	PV-UD	BHP
STS-B 40H	2014	2010	PV-UD	BHP
STS-B 12H	2014	2010	PV-UD	BHP
STS 61H	2015	2010	PV-UD	BHP
STS 60H	2015	2010	PV-UD	BHP
STS 59H	2015	2010	PV-UD	BHP
STS 83-1	2015	2010	PV-UD	BHP
STS 98-2	2015	2010	PV-UD	BHP
STS 98-1	2015	2011	PV-UD	BHP
STS-B 43-2	2015	2011	PV-UD	BHP
STS-B 43-1	2015	2011	PV-UD	BHP
STS-B 32-2	2015	2011	PV-UD	BHP
STS-B 32-1	2015	2011	PV-UD	BHP
STS-B 1-1	2015	2011	PV-UD	BHP
STS 100-4	2016	2011	PV-UD	BHP
STS 100-3	2016	2011	PV-UD	BHP
STS 100-2	2016	2011	PV-UD	BHP
STS 100-1	2016	2011	PV-UD	BHP
STS 107-1	2016	2011	PV-UD	BHP
STS 83-2	2016	2011	PV-UD	BHP
STS-B 60-2	2016	2011	PV-UD	BHP
STS-B 60-1	2016	2011	PV-UD	BHP
STS-B 43-4	2016	2011	PV-UD	BHP
STS-B 43-3	2016	2011	PV-UD	BHP
STS 106-1	2017	2011	PV-UD	BHP
STS 108-1	2017	2011	PV-UD	BHP
STS 62H	2017	2011	PV-UD	BHP
STS 81-4	2017	2011	PV-UD	BHP
STS 81-3	2017	2011	PV-UD	BHP
STS 81-2	2017	2011	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS 81-1	2017	2011	PV-UD	BHP
STS-B 70-4	2017	2011	PV-UD	BHP
STS-B 70-3	2017	2011	PV-UD	BHP
STS-B 70-2	2017	2011	PV-UD	BHP
STS-B 70-1	2017	2011	PV-UD	BHP
STS 102-3	2018	2011	PB-UD	BHP
STS 102-2	2018	2011	PB-UD	BHP
STS 102-1	2018	2011	PB-UD	BHP
STS 101-4	2018	2012	PB-UD	BHP
STS 101-3	2018	2012	PB-UD	BHP
STS 101-2	2018	2012	PB-UD	BHP
STS 101-1	2018	2012	PB-UD	BHP
STS-B 71-3	2018	2012	PB-UD	BHP
STS-B 71-2	2018	2012	PB-UD	BHP
STS-B 71-1	2018	2012	PB-UD	BHP
STS-B 3-1	2018	2012	PB-UD	BHP
STS B 59-2	2018	2012	PB-UD	BHP
STS B 59-1	2018	2012	PB-UD	BHP
STS 54-1	2019	2012	PB-UD	BHP
STS 75-4	2019	2012	PB-UD	BHP
STS 75-3	2019	2012	PB-UD	BHP
STS 75-2	2019	2012	PB-UD	BHP
STS 75-1	2019	2012	PB-UD	BHP
STS 102-4	2019	2012	PB-UD	BHP
STS-B 72-3	2019	2012	PB-UD	BHP
STS-B 72-2	2019	2012	PB-UD	BHP
STS-B 72-1	2019	2012	PB-UD	BHP
STS-B 58-2	2019	2012	PB-UD	BHP
STS-B 58-1	2019	2012	PB-UD	BHP
STS-B 71-4	2019	2012	PB-UD	BHP
STS 49-3	2020	2012	PB-UD	BHP
STS 49-2	2020	2012	PB-UD	BHP
STS 49-1	2020	2012	PB-UD	BHP
STS 54-4	2020	2012	PB-UD	BHP
STS 54-3	2020	2012	PB-UD	BHP
STS 54-2	2020	2012	PB-UD	BHP
STS B 73-3	2020	2012	PB-UD	BHP
STS B 73-2	2020	2012	PB-UD	BHP
STS B 73-1	2020	2012	PB-UD	BHP
STS-B 57-2	2020	2013	PB-UD	BHP
STS-B 57-1	2020	2013	PB-UD	BHP
STS-B 72-4	2020	2013	PB-UD	BHP
STS 49-4	2021	2013	PB-UD	BHP
STS-B 56-2	2021	2013	PB-UD	BHP
STS-B 74-3	2021	2013	PB-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-B 56-1	2021	2013	PB-UD	BHP
STS-B 74-2	2021	2013	PB-UD	BHP
STS-B 73-4	2021	2013	PB-UD	BHP
STS-B 74-1	2021	2013	PB-UD	BHP
STS-B 55-4	2022	2013	PB-UD	BHP
STS-B 48-1	2022	2013	PB-UD	BHP
STS-B 55-3	2022	2013	PB-UD	BHP
STS-B 55-2	2022	2013	PB-UD	BHP
STS-B 55-1	2022	2013	PB-UD	BHP
STS-B 74-4	2022	2013	PB-UD	BHP
STS-B 48-3	2023	2013	PB-UD	BHP
STS-B 27-3	2023	2013	PB-UD	BHP
STS-B 27-2	2023	2013	PB-UD	BHP
STS-B 27-1	2023	2013	PB-UD	BHP
STS-B 48-4	2023	2013	PB-UD	BHP
STS-B 48-2	2023	2013	PB-UD	BHP
STS B 6-4	2024	2013	PB-UD	BHP
STS B 6-3	2024	2013	PB-UD	BHP
STS B 6-2	2024	2013	PB-UD	BHP
STS B 6-1	2024	2013	PB-UD	BHP
STS B 27-4	2024	2013	PB-UD	BHP
STS-A 6H	2013	2011	PV-UD	BHP
STS-A 5H	2013	2011	PV-UD	BHP
STS-A 2H	2013	2011	PV-UD	BHP
STS-D 1H	2013	2011	PV-UD	BHP
STS-A KENNEDY STATE 1H	2014	2011	PV-UD	BHP
STS-A 12H	2014	2011	PV-UD	BHP
STS-A 11H	2014	2011	PV-UD	BHP
STS-A 10H	2014	2011	PV-UD	BHP
STS-D 2H	2014	2011	PV-UD	BHP
STS-A 303	2015	2011	PV-UD	BHP
STS-A 302	2015	2011	PV-UD	BHP
STS-A 301	2015	2011	PV-UD	BHP
STS-D 3H	2015	2011	PV-UD	BHP
STS 0 1H	2018	2011	PB-UD	Talisman
STS 0 2H	2018	2011	PB-UD	Talisman
STS 0 3H	2018	2011	PB-UD	Talisman
STS 0 4H	2018	2011	PB-UD	Talisman
STS 0 5H	2018	2011	PB-UD	Talisman
STS 0 6H	2018	2011	PB-UD	Talisman
STS 0 7H	2018	2011	PB-UD	Talisman
STS 0 8H	2018	2011	PB-UD	Talisman
STS P 1B	2018	2011	PB-UD	Talisman
STS P2B	2018	2011	PB-UD	Talisman
STS P3B	2018	2011	PB-UD	Talisman

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
STS P4B	2018	2011	PB-UD	Talisman
STS P5B	2018	2011	PB-UD	Talisman
STS P6B	2018	2011	PB-UD	Talisman
STS P7B	2018	2011	PB-UD	Talisman
STS P8B	2018	2011	PB-UD	Talisman
STS N 1H	2019	2011	PB-UD	Talisman
STS N 2H	2019	2011	PB-UD	Talisman
STS N 3H	2019	2011	PB-UD	Talisman
STS N 4H	2019	2011	PB-UD	Talisman
STS Q 2H	2019	2011	PB-UD	Talisman
STS Q 3H	2019	2011	PB-UD	Talisman
STS Q 4H	2019	2011	PB-UD	Talisman
STS Q 5H	2019	2011	PB-UD	Talisman
STS Q 6H	2019	2011	PB-UD	Talisman
STS Q 7H	2019	2011	PB-UD	Talisman
STS Q 8H	2019	2012	PB-UD	Talisman
STS R 1H	2019	2012	PB-UD	Talisman
STS R 2H	2019	2012	PB-UD	Talisman
WASHBURN RANCH 04H	2013	2011	PV-UD	PXD
WASHBURN RANCH 05H	2013	2011	CR-UD	PXD
WASHBURN RANCH 18H	2013	2011	CR-UD	PXD
WASHBURN RANCH 21H	2013	2011	CR-UD	PXD
WASHBURN RANCH 22H	2013	2011	CR-UD	PXD
WASHBURN RANCH 27H	2013	2012	CR-UD	PXD
WASHBURN RANCH 28H	2013	2012	CR-UD	PXD
WASHBURN RANCH 29H	2014	2012	CR-UD	PXD
WASHBURN RANCH 30H	2014	2012	CR-UD	PXD
WASHBURN RANCH 31H	2014	2012	CR-UD	PXD
WASHBURN RANCH 32H	2014	2012	CR-UD	PXD
WASHBURN RANCH 33H	2014	2013	CR-UD	PXD
WASHBURN RANCH 34H	2014	2013	CR-UD	PXD
WASHBURN RANCH 35H	2014	2013	CR-UD	PXD
WASHBURN RANCH 36H	2014	2013	CR-UD	PXD
WASHBURN RANCH 37H	2014	2013	CR-UD	PXD
WASHBURN RANCH 38H	2014	2013	CR-UD	PXD
WASHBURN RANCH 39H	2014	2014	CR-UD	PXD
WASHBURN RANCH 40H	2014	2014	CR-UD	PXD
WASHBURN RANCH 41H	2014	2014	CR-UD	PXD
WASHBURN RANCH 42H	2014	2014	CR-UD	PXD
WASHBURN RANCH 43H	2014	2014	CR-UD	PXD
WASHBURN RANCH 44H	2014	2014	CR-UD	PXD
WASHBURN RANCH 23H	2015	2015	CR-UD	PXD
WASHBURN RANCH 45H	2015	2015	CR-UD	PXD
WASHBURN RANCH 46H	2015	2015	CR-UD	PXD
WASHBURN RANCH 47H	2015	2015	CR-UD	PXD

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
WASHBURN RANCH 48H	2015	2015	CR-UD	PXD
WASHBURN RANCH 49H	2015	2015	CR-UD	PXD
WASHBURN RANCH 50H	2015	2016	CR-UD	PXD
WASHBURN RANCH 06H	2015	2016	CR-UD	PXD
WASHBURN RANCH 07H	2015	2016	CR-UD	PXD
WASHBURN RANCH 08H	2015	2016	CR-UD	PXD
WASHBURN RANCH 09H	2015	2016	CR-UD	PXD
WASHBURN RANCH 19H	2015	2016	CR-UD	PXD
WASHBURN RANCH 24H	2015	2017	CR-UD	PXD
WASHBURN RANCH 51H	2015	2017	CR-UD	PXD
WASHBURN RANCH 52H	2015	2017	CR-UD	PXD
WASHBURN RANCH 53H	2015	2017	CR-UD	PXD
WASHBURN RANCH 54H	2015	2017	CR-UD	PXD
WASHBURN RANCH 10H	2015	2017	CR-UD	PXD
STS-C 48H	2013	2012	PV-UD	BHP
STS-C 47H	2013	2012	PV-UD	BHP
STS-C 11H	2013	2012	PV-UD	BHP
STS NORTH UNIT 2 1H	2013	2012	PV-UD	BHP
STS-C 14H	2014	2012	PV-UD	BHP
STS-C 13H	2014	2012	PV-UD	BHP
STS-C 9H	2014	2012	PV-UD	BHP
STS-C 6H	2014	2012	PV-UD	BHP
STS-C 7H	2014	2012	PV-UD	BHP
STS-C 16H	2014	2012	PV-UD	BHP
STS-C 17H	2014	2012	PV-UD	BHP
STS-N 1H	2014	2012	PV-UD	BHP
STS-N 2H	2014	2012	PV-UD	BHP
STS-C 3-3 A-532	2015	2012	PV-UD	BHP
STS-C 3-1 A-532	2015	2012	PV-UD	BHP
STS-C 3-2 A-532	2015	2012	PV-UD	BHP
STS-C 20-2	2015	2012	PV-UD	BHP
STS-C 20-1	2015	2012	PV-UD	BHP
STS-C 15H	2015	2012	PV-UD	BHP
STS-C 19-3	2016	2012	PV-UD	BHP
STS-C 19-2	2016	2012	PV-UD	BHP
STS-C 19-1	2016	2012	PV-UD	BHP
STS-C 1-3	2016	2012	PV-UD	BHP
STS-C 1-1	2016	2012	PV-UD	BHP
STS-C 1-2	2016	2012	PV-UD	BHP
STS-N 5H	2016	2012	PV-UD	BHP
STS-N 4H	2016	2013	PV-UD	BHP
STS-N 3H	2016	2013	PV-UD	BHP
STS-C 27-4	2017	2013	PV-UD	BHP
STS-C 28-1	2017	2013	PV-UD	BHP
STS-C 27-3	2017	2013	PV-UD	BHP

<u>Well Name</u>	<u>Ryder Scott Development Schedule</u>	<u>Prudent Continuous Development Schedule</u>	<u>Ryder Scott Reserve / Resource Category</u>	<u>Operator Code</u>
STS-C 27-2	2017	2013	PV-UD	BHP
STS-C 27-1	2017	2013	PV-UD	BHP
STS-C 19-4	2017	2013	PV-UD	BHP
STS-N 8H	2017	2013	PV-UD	BHP
STS-N 7H	2017	2013	PV-UD	BHP
STS-N 6H	2017	2013	PV-UD	BHP
STS-C 44-3	2018	2013	PB-UD	BHP
STS-C 44-2	2018	2013	PB-UD	BHP
STS-C 44-1	2018	2013	PB-UD	BHP
STS-C 28-3	2018	2013	PB-UD	BHP
STS-C 28-2	2018	2013	PB-UD	BHP
STS-C 3-1 A-105	2019	2013	PB-UD	BHP
STS-C 5-4 A-104	2019	2013	PB-UD	BHP
STS-C 5-3 A-104	2019	2013	PB-UD	BHP
STS-C 5-2 A-104	2019	2013	PB-UD	BHP
STS-C 5-1 A-104	2019	2013	PB-UD	BHP
STS-C 490-1	2019	2013	PB-UD	BHP
STS-C 4-3 A-667	2020	2013	PB-UD	BHP
STS-C 4-2 A-667	2020	2013	PB-UD	BHP
STS-C 4-1 A-667	2020	2014	PB-UD	BHP
STS-C 3-4 A-105	2020	2014	PB-UD	BHP
STS-C 3-3 A-105	2020	2014	PB-UD	BHP
STS-C 3-2 A-105	2020	2014	PB-UD	BHP
STS-C 43-4	2021	2014	PB-UD	BHP
STS C 43-3	2021	2014	PB-UD	BHP
STS C 43-2	2021	2014	PB-UD	BHP
STS-C 43-1	2021	2014	PB-UD	BHP
STS-C 4-4 A-667	2021	2014	PB-UD	BHP
STS LOG 002	2018	2012	CR-UD	Hunt
STS LOG 003	2018	2012	CR-UD	Hunt
STS LOG 004	2018	2012	CR-UD	Hunt
STS LOG 005	2018	2012	CR-UD	Hunt
STS LOG 006	2018	2012	CR-UD	Hunt
STS LOG 007	2019	2012	CR-UD	Hunt
STS LOG 023	2019	2012	CR-UD	Hunt
STS LOG 008	2019	2012	CR-UD	Hunt
STS LOG 024	2019	2012	CR-UD	Hunt
STS LOG 009	2019	2012	CR-UD	Hunt
STS LOG 025	2019	2012	CR-UD	Hunt
STS LOG 010	2019	2013	CR-UD	Hunt
STS LOG 026	2019	2013	CR-UD	Hunt
STS LOG 011	2019	2013	CR-UD	Hunt
STS LOG 027	2019	2013	CR-UD	Hunt
STS LOG 012	2019	2013	CR-UD	Hunt
STS LOG 028	2019	2013	CR-UD	Hunt

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
STS LOG 013	2019	2013	CR-UD	Hunt
STS LOG 014	2019	2013	CR-UD	Hunt
STS LOG 015	2019	2013	CR-UD	Hunt
STS LOG 016	2019	2013	CR-UD	Hunt
STS LOG 017	2019	2013	CR-UD	Hunt
STS LOG 018	2019	2013	CR-UD	Hunt
STS LOG 019	2019	2014	CR-UD	Hunt
STS LOG 020	2019	2014	CR-UD	Hunt
STS LOG 021	2019	2014	CR-UD	Hunt
STS LOG 022	2019	2014	CR-UD	Hunt
STS LOG 029	2020	2014	CR-UD	Hunt
STS LOG 030	2020	2014	CR-UD	Hunt
STS LOG 031	2020	2014	CR-UD	Hunt
STS LOG 032	2020	2014	CR-UD	Hunt
STS LOG 033	2020	2014	CR-UD	Hunt
STS LOG 034	2020	2014	CR-UD	Hunt
STS LOG 035	2020	2014	CR-UD	Hunt
STS LOG 036	2020	2014	CR-UD	Hunt
STS LOG 037	2020	2015	CR-UD	Hunt
STS LOG 038	2020	2015	CR-UD	Hunt
STS LOG 039	2020	2015	CR-UD	Hunt
STS LOG 040	2020	2015	CR-UD	Hunt
STS LOG 042	2021	2015	CR-UD	Hunt
STS LOG 043	2021	2015	CR-UD	Hunt
STS LOG 044	2021	2015	CR-UD	Hunt
STS LOG 045	2021	2015	CR-UD	Hunt
STS LOG 046	2021	2015	CR-UD	Hunt
STS LOG 041	2021	2015	CR-UD	Hunt
STS LOG 047	2022	2015	CR-UD	Hunt
STS LOG 048	2022	2015	CR-UD	Hunt
STS LOG 049	2022	2016	CR-UD	Hunt
STS LOG 050	2022	2016	CR-UD	Hunt
STS LOG 051	2022	2016	CR-UD	Hunt
STS LOG 052	2022	2016	CR-UD	Hunt
STS LOG 053	2023	2016	CR-UD	Hunt
STS LOG 054	2023	2016	CR-UD	Hunt
STS LOG 055	2023	2016	CR-UD	Hunt
STS LOG 056	2023	2016	CR-UD	Hunt
STS LOG 057	2023	2016	CR-UD	Hunt
STS LOG 058	2023	2016	CR-UD	Hunt
STS LOG 059	2024	2016	CR-UD	Hunt
STS LOG 060	2024	2016	CR-UD	Hunt
STS LOG 061	2024	2017	CR-UD	Hunt
STS LOG 062	2024	2017	CR-UD	Hunt
STS LOG 063	2024	2017	CR-UD	Hunt

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
STS LOG 064	2024	2017	CR-UD	Hunt
STS LOG 065	2025	2017	CR-UD	Hunt
STS LOG 066	2025	2017	CR-UD	Hunt
STS LOG 067	2025	2017	CR-UD	Hunt
STS LOG 068	2025	2017	CR-UD	Hunt
STS LOG 069	2025	2017	CR-UD	Hunt
WASHBURN RANCH 11H	2016	2012	CR-UD	PXD
WASHBURN RANCH 12H	2016	2012	CR-UD	PXD
WASHBURN RANCH 56H	2016	2012	CR-UD	PXD
WASHBURN RANCH 57H	2016	2012	CR-UD	PXD
WASHBURN RANCH 58H	2016	2012	CR-UD	PXD
WASHBURN RANCH 59H	2016	2012	CR-UD	PXD
WASHBURN RANCH 60H	2016	2012	CR-UD	PXD
WASHBURN RANCH 61H	2016	2012	CR-UD	PXD
WASHBURN RANCH 62H	2016	2012	CR-UD	PXD
WASHBURN RANCH 63H	2016	2012	CR-UD	PXD
WASHBURN RANCH 64H	2016	2012	CR-UD	PXD
WASHBURN RANCH 65H	2016	2013	CR-UD	PXD
WASHBURN RANCH 66H	2016	2013	CR-UD	PXD
WASHBURN RANCH 67H	2016	2013	CR-UD	PXD
WASHBURN RANCH 68H	2016	2013	CR-UD	PXD
WASHBURN RANCH 69H	2016	2013	CR-UD	PXD
WASHBURN RANCH 70H	2016	2013	CR-UD	PXD
WASHBURN RANCH 71H	2016	2013	CR-UD	PXD
WASHBURN RANCH 72H	2016	2013	CR-UD	PXD
WASHBURN RANCH 73H	2016	2013	CR-UD	PXD
WASHBURN RANCH 74H	2016	2013	CR-UD	PXD
WASHBURN RANCH 75H	2016	2013	CR-UD	PXD
WASHBURN RANCH 76H	2016	2013	CR-UD	PXD
WASHBURN RANCH 77H	2016	2014	CR-UD	PXD
WASHBURN RANCH 78H	2016	2014	CR-UD	PXD
WASHBURN RANCH 79H	2016	2014	CR-UD	PXD
WASHBURN RANCH 25H	2016	2014	CR-UD	PXD
WASHBURN RANCH 80H	2016	2014	CR-UD	PXD
WASHBURN RANCH 81H	2016	2014	CR-UD	PXD
WASHBURN RANCH 82H	2016	2014	CR-UD	PXD
WASHBURN RANCH 83H	2016	2014	CR-UD	PXD
WASHBURN RANCH 84H	2016	2014	CR-UD	PXD
WASHBURN RANCH 85H	2016	2014	CR-UD	PXD
WASHBURN RANCH 13H	2016	2014	CR-UD	PXD
WASHBURN RANCH 14H	2016	2014	CR-UD	PXD
WASHBURN RANCH 15H	2016	2015	CR-UD	PXD
WASHBURN RANCH 16H	2016	2015	CR-UD	PXD
WASHBURN RANCH 17H	2016	2015	CR-UD	PXD
WASHBURN RANCH 20H	2016	2015	CR-UD	PXD

<u>Well Name</u>	Ryder Scott Development <u>Schedule</u>	Prudent Continuous Development <u>Schedule</u>	Ryder Scott Reserve / Resource <u>Category</u>	Operator <u>Code</u>
WASHBURN RANCH 26H	2016	2015	CR-UD	PXD
WASHBURN RANCH 86H	2016	2015	CR-UD	PXD
WASHBURN RANCH 87H	2016	2015	CR-UD	PXD
WASHBURN RANCH 88H	2016	2015	CR-UD	PXD
WASHBURN RANCH 89H	2016	2015	CR-UD	PXD
WASHBURN RANCH 90H	2016	2015	CR-UD	PXD
WASHBURN RANCH 91H	2016	2015	CR-UD	PXD
WASHBURN RANCH 92H	2016	2015	CR-UD	PXD
WASHBURN RANCH 93H	2016	2016	CR-UD	PXD
WASHBURN RANCH 94H	2016	2016	CR-UD	PXD
WASHBURN RANCH 95H	2016	2016	CR-UD	PXD
WASHBURN RANCH 96H	2016	2016	CR-UD	PXD
WASHBURN RANCH 97H	2016	2016	CR-UD	PXD
WASHBURN RANCH 98H	2017	2016	CR-UD	PXD
WASHBURN RANCH 99H	2017	2016	CR-UD	PXD
WASHBURN RANCH 100H	2017	2016	CR-UD	PXD
WASHBURN RANCH 101H	2017	2016	CR-UD	PXD
WASHBURN RANCH 102H	2017	2016	CR-UD	PXD
WASHBURN RANCH 103H	2017	2016	CR-UD	PXD
WASHBURN RANCH 104H	2017	2016	CR-UD	PXD
WASHBURN RANCH 105H	2017	2017	CR-UD	PXD
WASHBURN RANCH 106H	2017	2017	CR-UD	PXD
WASHBURN RANCH 107H	2017	2017	CR-UD	PXD
WASHBURN RANCH 108H	2017	2017	CR-UD	PXD
WASHBURN RANCH 109H	2017	2017	CR-UD	PXD
WASHBURN RANCH 110H	2017	2017	CR-UD	PXD
WASHBURN RANCH 111H	2017	2017	CR-UD	PXD
WASHBURN RANCH 112H	2017	2017	CR-UD	PXD
WASHBURN RANCH 113H	2017	2017	CR-UD	PXD
WASHBURN RANCH 114H	2017	2017	CR-UD	PXD
WASHBURN RANCH 115H	2017	2017	CR-UD	PXD
WASHBURN RANCH 116H	2017	2017	CR-UD	PXD
WASHBURN RANCH 117H	2017	2018	CR-UD	PXD

9. In my opinion, the difference in the value derived from the drilling schedule anticipated by Ryder Scott Company, L.P. and reflected in the existing report and the value derived from the drilling schedule that results from prudent continuous development lease provisions would be additional dollar damages sustained by the STS Beneficiaries in this matter.

I understand the attorneys for JP Morgan have objected to Ryder Scott Company, L.P. preparing

an additional valuation report to incorporate the drilling schedule that would have resulted from prudent continuous development provisions in certain oil and gas leases that cover the Eagle Ford Shale formation under the *Washburn Ranch*. Therefore, I made the necessary calculations within Ryder Scott's PHDWin database to quantify the additional values that would have resulted from prudent continuous development lease provisions. A summary of the results follows:

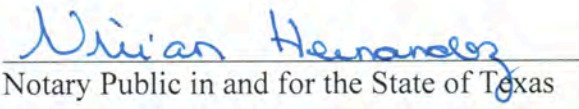
Ryder Scott Reserve / Resource <u>Category</u>	Present Value at 10% Results from Prudent Continuous Development <u>Schedule</u>	Present Value at 10% Determined by Ryder Scott Development <u>Schedule</u>	Additional Value Based on Anticipated Ryder Scott Production <u>Profiles</u>
Proved Producing Reserves	-	-	Unchanged
Proved Undeveloped Reserves	\$702,194,630	\$558,053,575	\$144,141,055
Probable Undeveloped Reserves	\$354,757,732	\$176,296,120	\$178,461,612
Possible Undeveloped Reserves	-	-	Unchanged
Contingent Undeveloped Resources	\$366,791,786	\$179,422,680	\$187,369,106

FURTHER AFFIANT SAYETH NOT.


CHARLES E. GRAHAM, III

Subscribed and sworn to before me, the undersigned notary, on February 27, 2014.

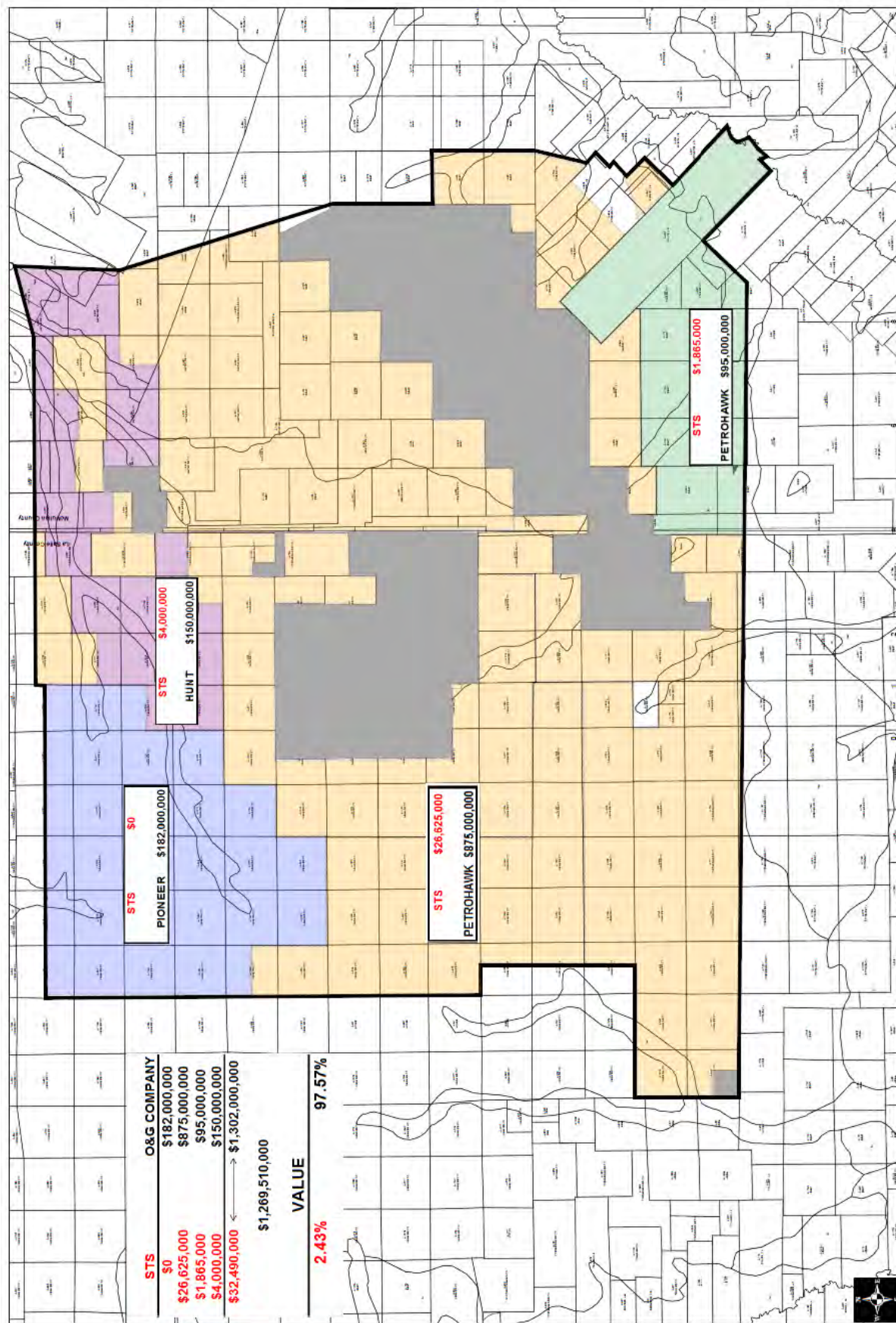



Notary Public in and for the State of Texas

My Commission expires:

04-05-2014

TAB 8



(Consolidated Under)
NO. 2010-CI-10977

JOHN K. MEYER, <i>ET AL.</i> ,	§	IN THE DISTRICT COURT
	§	
Plaintiffs,	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	
INDIVIDUALLY/CORPORATELY	§	BEXAR COUNTY, TEXAS
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST AND	§	
GARY P. AYMES,	§	
	§	
Defendants.	§	225 th JUDICIAL DISTRICT

**PLAINTIFF-INTERVENOR WELLS FARGO BANK, N.A.'S
AMENDED PLEA IN INTERVENTION**

Pursuant to Texas Rule of Civil Procedure 60, Plaintiff-Intervenor Wells Fargo Bank, N.A., as Trustee/Co-Trustee, files this Amended Plea in Intervention, and states as follows:

**I.
IDENTITY OF PLAINTIFF-INTERVENOR**

1. Plaintiff-Intervenor Wells Fargo Bank, N.A., is a national banking association and serves as trustee or co-trustee for twenty-three (23) trust entities ("Trusts") which hold Certificates of Beneficial Interest in the South Texas Syndicate Trust (hereinafter the "STS Trust"). Plaintiff-Intervenor files this Amended Plea in Intervention in its fiduciary capacities on behalf of such Trusts.

2. Plaintiff-Intervenor has a right to intervene in this action under Texas Rule of Civil Procedure 60 because Plaintiff-Intervenor has a present justiciable interest in this litigation. The claims asserted by the Plaintiffs in Plaintiffs' Sixth Amended Petition and the defenses raised by JP Morgan Chase Bank, N.A. ("Defendant") in this suit implicate and affect the Plaintiff-Intervenor's rights and interests, and Plaintiff-Intervenor's presence in this action is essential to the protection of such rights and interests.

II.
HISTORY OF THE SOUTH TEXAS SYNDICATE TRUST

3. In 1906, Jed L. Washburn and five others purchased 132,000 +/- contiguous acres in McMullen and LaSalle Counties, Texas. Title to the property was originally taken in the name of George F. Piper and subsequently transferred in 1917 to Jed L. Washburn.

4. Following Jed L. Washburn's death in 1931, A. McC. Washburn became title holder in 1932. With court approval, the STS Trust was formed and 30,000 Certificates of Beneficial Interest were issued.

5. Following A. McC. Washburn's death in 1939, John T. Pearson was appointed Trustee of the STS Trust.

6. In 1950, the surface rights to the 132,000 acres were sold leaving the mineral estate as the sole asset of the STS Trust.

7. John T. Pearson died in 1950 without naming a Successor Trustee. The Alamo National Bank was appointed Successor Trustee of the STS Trust on February 12, 1951 by order of the District Court, 73rd Judicial District, Bexar County, Texas.

8. In 2001, after several bank mergers, J.P. Morgan Chase Bank, N.A. became Successor Trustee of the STS Trust.

9. In 2008, Petrohawk #1 Discovery well was drilled on STS Trust property and produced substantial results. Additional leases for mineral rights on STS Trust property were negotiated by the Trustee in 2008 through 2011 without exercising the prudence and good judgment consistent with its fiduciary obligations to the beneficiaries of the STS Trust.

10. In 2011, the Trustee settled an STS Trust lawsuit involving a mineral rights lease with Pioneer Natural Resources USA, Inc. and EOG Resources, Inc. without exercising the

prudence and good judgment consistent with its fiduciary obligations to the beneficiaries of the STS Trust.

III.
SOUTH TEXAS SYNDICATE TRUST LITIGATION

11. The subject matter of the pending Action involves the administration of the STS Trust. The Plaintiffs allege that Defendants have engaged in a pattern of neglect, mismanagement and tortious behavior that has caused hundreds of millions of dollars of damage to STS Trust assets and estate.

12. STS Trust beneficiary John K. Meyer commenced the pending Action against the Defendants for their actions as Trustee of the STS Trust in July 2010. In May 2011, STS Trust beneficiaries John Meyer Jr. and Theodore Meyer filed a Petition in Intervention in the John K. Meyer action.

13. A similar action against Defendants was commenced by STS Trust beneficiary Emilie Blaze in March 2011.

14. In June 2011, by an order of Judge Renee F. McElhaney, the Meyer and Blaze actions were consolidated.

15. On November 15, 2011, the Meyer and Blaze Plaintiffs filed Plaintiffs' Consolidated Second Amended Petition.

16. In January 2012, Plaintiff-Intervenor, as trustee or co-trustee for the twenty-four (24) Trusts holding Certificates of Beneficial Interest in the STS Trust, filed a Plea in Intervention in the pending Action in its fiduciary capacity on behalf of said trusts.

17. On February 26, 2014, the Plaintiffs filed Plaintiffs' Sixth Amended Petition.

18. Collectively, Plaintiff-Intervenor, together with the other Plaintiffs and Intervenor in this Action, own, hold and represent substantially in excess of 51% of the 30,000 total units of the STS Trust.

19. Defendants have repeatedly argued that all holders of Certificates of Beneficial Interest in the STS Trust are necessary parties to the pending Action.

IV. PRESENT JUSTICIABLE INTEREST

20. Plaintiff-Intervenor serves as trustee or co-trustee for twenty-three (23) Trusts that hold Certificates of Beneficial Interest in the STS Trust and therefore is affected by the administration of the STS Trust and has an interest in and/or claim against the STS Trust.

21. Resolution of the claims asserted in the pending Action without the full participation of Plaintiff-Intervenor would be improper and, as a practical matter, may impair or impede Plaintiff-Intervenor's ability to protect its rights and interests. No party in the pending Action will adequately protect Plaintiff-Intervenor's rights and interests, and intervention is therefore essential. Plaintiff-Intervenor is thus entitled to intervene in the pending Action under Texas Rule of Civil Procedure 60.

22. Allowing intervention will not prejudice the parties to the pending Action or cause an excessive multiplication of issues, but rather, will increase the judicial and economic efficiency of the pending Action. Plaintiff-Intervenor previously filed a Plea in Intervention in its capacity as trustee or co-trustee for 24 trust entities and now files this Amended Plea in Intervention merely to adopt and incorporate by reference the revised statements and allegations asserted in the Plaintiffs' Sixth Amended Petition. This amendment has no detrimental effect on the litigation. Therefore, Plaintiff-Intervenor timely brings this Plea in Intervention.

V.
CLAIMS

23. Plaintiff-Intervenor adopts and incorporates by reference all statements and allegations asserted in the Plaintiffs' Sixth Amended Petition as if the same were herein set forth in full, except the following specific allegations:

- a. Paragraph 138 to the extent it alleges willful bad faith.
- b. Paragraph 144 to the extent it alleges intentional mishandling.
- c. Paragraph 146 in its entirety.
- d. Paragraph 164 to the extent it attributes actual knowledge of the investment banking report and lease assignment to the Defendant's trust department.
- e. Paragraph 166 in its entirety.
- f. Paragraph 185 in its entirety.
- g. Paragraph 187 in its entirety.
- h. Paragraph 199 to the extent it alleges conflicts of interest.
- i. Paragraph 202, subpart (5) in its entirety.
- j. Paragraph 202 subpart (11)b. to the extent it alleges conflicts of interest.

24. Plaintiff-Intervenor reserves the right to amend its pleadings to add allegations specific to its interests relating to this matter.

VI.
GENERAL DENIAL

25. Pursuant to Rule 92 of the Texas Rules of Civil Procedure, Plaintiff-Intervenor denies each and every, all and singular, of the material allegations in Defendants/Counter-Petition Plaintiffs' Counter-Petition for Declaratory Relief and Instructions from the Court, and demands strict proof thereof by a preponderance of the evidence.

VII.
PRAYER FOR RELIEF

26. WHEREFORE, Plaintiff- Intervenor requests that the parties take notice of the filing of this Plea in Intervention and prays that upon final hearing Plaintiff-Intervenor has judgment against Defendant for:

- a. Actual damages;
- b. Consequential and incidental damages;
- c. Disgorgement of all compensation, fees, and expenses paid by the STS Trust to Defendant and to third-parties at the direction of Defendant;
- d. Pre-and post-judgment interest at the highest legal rate allowed by law;
- e. All attorneys' fees, expenses, and costs in pursuing this matter;
- f. Exemplary or punitive damages in an amount to be determined at trial;
- g. An order prohibiting Defendant from using STS Trust assets, property, or revenue, to pay attorneys' fees, expenses, and costs in defending this action and any other actions brought by other beneficiaries;
- h. Such other and further relief to which Plaintiff-Intervenor may show itself to be justly entitled; and
- i. Such other, further, and different damages as allowed in accordance with the evidence and applicable law.

Dated: February 28, 2014

Respectfully submitted,

ZELLE HOFMANN VOELBEL & MASON LLP

By: /s/ Matthew J. Gollinger
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**ATTORNEYS FOR PLAINTIFF-
INTERVENOR**

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing has been served on
February 28, 2014, in accordance with the TEXAS RULES OF CIVIL PROCEDURE as follows:

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Dallas, TX 75202

/s/ Matthew J. Gollinger
Matthew J. Gollinger

(Consolidated Under)
NO. 2010-CI-10977

JOHN K. MEYER, <i>ET AL.</i> ,	§	IN THE DISTRICT COURT
	§	
Plaintiffs,	§	
	§	
JP MORGAN CHASE BANK, N.A.,	§	
INDIVIDUALLY/CORPORATELY	§	BEXAR COUNTY, TEXAS
AND AS TRUSTEE OF THE SOUTH	§	
TEXAS SYNDICATE TRUST AND	§	
GARY P. AYMES,	§	
	§	
Defendants.	§	225 th JUDICIAL DISTRICT

SECOND AMENDED PLEA IN INTERVENTION

Pursuant to Texas Rule of Civil Procedure 60, Plaintiff-Intervenors identified below in paragraphs 1-17 (collectively "Plaintiff-Intervenors") file this Second Amended Plea in Intervention, and state as follows:

I.
IDENTITIES OF PLAINTIFF-INTERVENOR

1. Plaintiff-Intervenor U.S. Bank Trust National Association SD, as trustee of the Harry C. Piper Trust U/A FBO Margaret P. Cost dated 1/27/37, holds a Certificate of Beneficial Interest in the South Texas Syndicate Trust (hereinafter the "STS Trust").

2. Plaintiff-Intervenor U.S. Bank Trust National Association SD and Matt Pierson, as trustees of the Louise G. Piper Trust U/W FBO Margaret P. Cost dated 8/19/72, hold a Certificate of Beneficial Interest in the STS Trust.

3. Plaintiff-Intervenor U.S. Bank Trust National Association SD and Matt Pierson, as trustees of the Harry C. Piper Trust U/W FBO Margaret P. Cost dated 11/5/63, hold a Certificate of Beneficial Interest in the STS Trust.

4. Plaintiff-Intervenor U.S. Bank National Association and Barbara Erickson as trustees of the Frank N. Graham GST Exempt Family Trust #1 U/A dated 10/24/94, hold a Certificate of Beneficial Interest in the STS Trust.

5. Plaintiff-Intervenor U.S. Bank National Association and Barbara Erickson as trustees of the Frank N. Graham GST Non-Exempt Family Trust #2 U/A dated 10/24/94, hold a Certificate of Beneficial Interest in the STS Trust.

6. Plaintiff-Intervenor U.S. Bank National Association as agent for Mary C. Hertica and Dennis E. Wisener as trustees of the Hertica-Wisener Family Trust U/A dated 10/29/09, hold a Certificate of Beneficial Interest in the STS Trust.

7. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the William W. Gage Revocable Trust U/A dated 1/28/86, holds a Certificate of Beneficial Interest in the STS Trust.

8. Plaintiff-Intervenor U.S. Bank National Association, as agent for Sandra J. Costlow, holds a Certificate of Beneficial Interest in the STS Trust.

9. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the Louis H. Piper Trust U/W dated 12/31/24, holds a Certificate of Beneficial Interest in the STS Trust.

10. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the Walter D. Douglas II Residuary Trust U/A FBO Susan D. Shraibati dated 6/13/50, holds a Certificate of Beneficial Interest in the STS Trust.

11. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the Walter D. Douglas II Residuary Trust U/A FBO David C. Douglas dated 6/13/50, holds a Certificate of Beneficial Interest in the STS Trust.

12. Plaintiff-Intervenor U.S. Bank National Association and Georgia Ray Lindeke, as trustees of the Georgia Ray Decoster Trust U/W dated 9/22/61, hold a Certificate of Beneficial Interest in the STS Trust.

13. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the Francoise Latil Revocable Trust U/A dated 2/15/99, holds a Certificate of Beneficial Interest in the STS Trust.

14. Plaintiff-Intervenor U.S. Bank National Association, as trustee of the H. C. Piper Trust U/A FBO Charles Pierson dated 1/27/37, holds a Certificate of Beneficial Interest in the STS Trust.

15. Plaintiff-Intervenor U.S. Bank National Association and Kim Rogers-Harless, as co-personal representatives (pending) for the estate of Jeffery E. Harless, hold a Certificate of Beneficial Interest in the STS Trust.

16. Plaintiff-Intervenor U.S. Bank National Association as trustee of the Annick Latil Revocable Trust U/A dated 11/29/00, holds a Certificate of Beneficial Interest in the STS Trust.

17. Plaintiff-Intervenor U.S. Bank Trust National Association SD, David P Crosby and Albert Andrews Jr. as trustees of the Harry C Piper Trust U/W FBO Katherine P Crosby dated 11/5/63, hold a Certificate of Beneficial Interest in the STS Trust.

18. Plaintiff-Intervenor U.S. Bank Trust National Association SD, David P Crosby and Albert Andrews Jr. as trustees of the Louise G Piper Trust U/W FBO Katherine P Crosby dated 8/19/72, hold a Certificate of Beneficial Interest in the STS Trust.

19. Plaintiff-Intervenor U.S. Bank Trust National Association SD, as trustee of the Harry C Piper Trust U/A FBO Katherine P Crosby dated 1/27/37, holds a Certificate of Beneficial Interest in the STS Trust.

20. Plaintiff-Intervenors have a right to intervene in this action under Texas Rule of Civil Procedure 60 because Plaintiff-Intervenors have a present justiciable interest in this litigation. The claims asserted by Plaintiffs in Plaintiffs' Sixth Amended Petition and the defenses raised by JP Morgan Chase Bank, N.A. ("Defendant") in this suit implicate and affect the Plaintiff-Intervenors' rights and interests, and Plaintiff-Intervenors' presence in this action is essential to the protection of such rights and interests.

II.

HISTORY OF THE SOUTH TEXAS SYNDICATE TRUST

21. In 1906, Jed L. Washburn and five others purchased approximately 132,000 contiguous acres in McMullen and LaSalle Counties, Texas. Title to the property was originally taken in the name of George F. Piper and subsequently transferred in 1917 to Jed L. Washburn.

22. Following Jed L. Washburn's death in 1931, A. McC. Washburn became title holder in 1932. With court approval, the STS Trust was formed and 30,000 Certificates of Beneficial Interest were issued.

23. Following A. McC. Washburn's death in 1939, John T. Pearson was appointed Trustee of the STS Trust.

24. In 1950, the surface rights to the 132,000 acres were sold leaving the mineral estate as the sole asset of the STS Trust.

25. John T. Pearson died in 1950 without naming a Successor Trustee. The Alamo National Bank was appointed Successor Trustee of the STS Trust on February 12, 1951 by order of the District Court, 73rd Judicial District, Bexar County, Texas.

26. In 2001, after several bank mergers, J.P. Morgan Chase Bank, N.A. became Successor Trustee of the STS Trust.

27. In 2008, Petrohawk #1 Discovery well was drilled on STS Trust property and produced substantial results. Additional leases for mineral rights on STS Trust property were negotiated by the Trustee in 2008 through 2011 without exercising the prudence and good judgment consistent with its fiduciary obligations to the beneficiaries of the STS Trust.

28. In 2011, the Trustee settled an STS Trust lawsuit involving a mineral rights lease with Pioneer Natural Resources USA, Inc. and EOG Resources, Inc. without exercising the prudence and good judgment consistent with its fiduciary obligations to the beneficiaries of the STS Trust.

III. **SOUTH TEXAS SYNDICATE TRUST LITIGATION**

29. The subject matter of the pending Action involves the administration of the STS Trust. The Plaintiffs allege that Defendants have engaged in a pattern of neglect, mismanagement and tortious behavior that has caused hundreds of millions of dollars of damage to STS Trust assets and estate.

30. STS Trust beneficiary John K. Meyer commenced the pending Action against the Defendants for their actions as Trustee of the STS Trust in July 2010. In May 2011, STS Trust beneficiaries John Meyer Jr. and Theodore Meyer filed a Petition in Intervention in the John K. Meyer action.

31. A similar action against Defendants was commenced by STS Trust beneficiary Emilie Blaze in March 2011.

32. In June 2011, by an order of Judge Renee F. McElhaney, the Meyer and Blaze actions were consolidated.

33. On November 15, 2011, the Plaintiffs filed Plaintiffs' Consolidated Second Amended Petition.

34. In January 2012, Plaintiff-Intervenors filed a Plea in Intervention in the pending Action, and subsequently filed an Amended Plea in Intervention in April 2012.

35. On February 26, 2014, Plaintiffs filed Plaintiffs' Sixth Amended Petition.

36. Collectively, Plaintiff-Intervenors, together with the other Plaintiffs and Intervenors in this Action, own, hold and represent substantially in excess of 51% of the total 30,000 units of the STS Trust.

37. Defendants have repeatedly argued that all holders of Certificates of Beneficial Interest in the STS Trust are necessary parties to the pending Action.

IV. PRESENT JUSTICIABLE INTEREST

38. Plaintiff-Intervenors hold Certificates of Beneficial Interest in the STS Trust and therefore are affected by the administration of the STS Trust and have an interest in and/or claim against the STS Trust.

39. Resolution of the claims asserted in the pending Action without the full participation of Plaintiff-Intervenors would be improper and, as a practical matter, may impair or impede Plaintiff-Intervenors' ability to protect their rights and interests. No party in the pending Action will adequately protect Plaintiff-Intervenors' rights and interests, and intervention is therefore essential. Plaintiff-Intervenors are thus entitled to intervene in the pending Action under Texas Rule of Civil Procedure 60.

40. Allowing intervention will not prejudice the parties to the pending Action or cause an excessive multiplication of issues, but rather, will increase the judicial and economic efficiency of the pending Action. Plaintiff-Intervenors previously filed Pleas in Intervention in this litigation and now file this Second Amended Plea in Intervention merely to adopt and incorporate by reference the revised statements and allegations asserted in the Plaintiffs' Sixth

Amended Petition. This amendment has no detrimental effect on the litigation. Therefore, Plaintiff-Intervenors timely bring this Second Amended Plea in Intervention.

V.
CLAIMS

41. Plaintiff-Intervenors adopt and incorporate by reference all statements and allegations asserted in the Plaintiffs' Sixth Amended Petition as if the same were herein set forth in full.

42. Plaintiff-Intervenors reserve the right to amend their pleadings to add allegations specific to their interests relating to this matter.

VI.
GENERAL DENIAL

43. Pursuant to Rule 92 of the Texas Rules of Civil Procedure, Plaintiff-Intervenor denies each and every, all and singular, of the material allegations in Defendants/Counter-Petition Plaintiffs' Counter-Petition for Declaratory Relief and Instructions from the Court, and demands strict proof thereof by a preponderance of the evidence.

VII.
PRAYER FOR RELIEF

44. WHEREFORE, Plaintiff-Intervenors request that the parties take notice of the filing of this Amended Plea in Intervention and pray that upon final hearing Plaintiff-Intervenors have judgment against Defendant for:

- a. Actual damages;
- b. Consequential and incidental damages;
- c. Disgorgement of all compensation, fees, and expenses paid by the STS Trust to Defendant and to third-parties at the direction of Defendant;

- d. Pre-and post-judgment interest at the highest legal rate allowed by law;
- e. All attorneys' fees, expenses, and costs in pursuing this matter;
- f. Exemplary or punitive damages at an amount to be determined at trial;
- g. An order prohibiting Defendant from using STS Trust assets, property, or revenue, to pay attorneys' fees, expenses, and costs in defending this action and any other actions brought by other beneficiaries;
- h. Such other and further relief to which Plaintiff-Intervenors may show themselves to be justly entitled; and
- i. Such other, further, and different damages as allowed in accordance with the evidence and applicable law.

Plaintiff-Intervenors further request all relief sought in J.P. Morgan's Defendants/Counter-Petition for Declaratory Relief and Instructions from the Court be denied.

Dated: February 28, 2014

Respectfully submitted,

ZELLE HOFMANN VOELBEL & MASON LLP

By: /s/ Matthew J. Gollinger
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Matthew J. Gollinger (*pro hac vice*)
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jmassopust@zelle.com
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Facsimile: 214-760-8994
sbadger@zelle.com

**ATTORNEYS FOR PLAINTIFF-
INTERVENOR**

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing has been served on
February 28, 2014, in accordance with the TEXAS RULES OF CIVIL PROCEDURE as follows:

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& BOBBITT, LLP
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David Jed Williams
Rudy Garza
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& BEITER, INC.
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Charles A. Gall
John C. Eichman
Amy S. Bowen
HUNTON & WILLIAMS
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Dallas, TX 75202

Fred W. Stumpf
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Houston, TX 77046

Mark T. Josephs
Sara Hollan Chelette
JACKSON WALKER, LLP
901 Main Street, Suite 6000
Dallas, TX 75202

/s/ Matthew J. Gollinger
Matthew J. Gollinger

Exhibit A

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET. AL.

VS.

JPMORGAN CHASE BANK, N.A.
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST
and GARY P. AYMES

§
§
§
§
§
§
§
§

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

**AMENDED NOTICE OF INTENTION TO TAKE ORAL AND VIDEOTAPED
DEPOSITION OF THE CORPORATE REPRESENTATIVES
OF US BANK NATIONAL ASSOCIATION**

Defendants will take the oral deposition of US BANK NATIONAL ASSOCIATION, in its representative capacity as described in its Plea in Intervention, at the following date, time, and place:

Date: March 4, 2014

Time: 9:30 a.m.

**Place: Tinsman & Sciano, Inc.
10107 McAllister Frwy.
San Antonio, Texas 78216**

The deposition shall continue from day to day until the deposition is completed. The deposition will be recorded by stenographic means and may also be recorded by videotape.

The matters upon which examination is requested are listed in the attached Exhibit "A." Under TRCP 199.2(b)(1), the deponent US BANK NATIONAL ASSOCIATION in its representative capacity as described in its Plea in Intervention, "must – a reasonable time before the deposition – designate one or more individuals to testify on its behalf and set forth, for each individual designated, the matters on which the individual will testify."

Respectfully submitted,

**HORNBERGER SHEEHAN FULLER
WITTENBERG & GARZA INCORPORATED**

The Quarry Heights Building
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By: 

Patrick K. Sheehan
State Bar No. 18175500
Rudy A. Garza
State Bar No. 07738200
David Jed Williams
State Bar No. 21518060

And

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John C. Eichman
State Bar No. 06494800
Amy S. Bowen
State Bar No. 24028216

ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing NOTICE OF INTENTION TO TAKE ORAL AND VIDEOTAPED DEPOSITION OF THE CORPORATE REPRESENTATIVES OF US BANK NATIONAL ASSOCIATION was served upon the following, in the manner indicated, on this the 21st day of February 2014:

Mr. George Spencer, Jr.
Mr. Robert Rosenbach
CLEMENS & SPENCER
112 East Pecan St., Suite 1300
San Antonio, Texas 78205

VIA EMAIL

Mr. James L. Drought
Ian Bolden
DROUGHT DROUGHT & BOBBITT, LLP
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VIA EMAIL

Mr. Richard Tinsman
Ms. Sharon C. Savage
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VIA EMAIL

Mr. David R. Deary
Mr. Jim L. Flegle
LOEWINSOHN FLEGLE DEARY, L.L.P.
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VIA EMAIL

Mr. John B. Massopust
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Mr. Matthew Gollinger
ZELLE HOFMANN VOELBEL & MASON LLP
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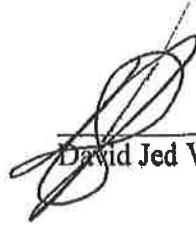
VIA EMAIL

Mr. Michael S. Christian
ZELLE HOFMANN VOELBEL & MASON
44 Montgomery Street, Suite 3400
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VIA EMAIL

Mr. Fred W. Stumpf
GLAST, PHILLIPS & MURRAY
Nine Greenway Plaza, Suite 3100
Houston, Texas 77046

VIA EMAIL

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above a solid horizontal line.

David Jed Williams

EXHIBIT "A"

I. DEFINITIONS

The following definitions shall have the following meanings, unless the context requires otherwise:

- a. **"Document" or "documents"** is defined to be synonymous in meaning and equal in scope to the usage of this term in Tex. R. Civ. P. 192.3(b). A draft or a non-identical copy is a separate document within the meaning of the term. **"Documents"** shall mean every document within the widest possible scope of the Texas Rules of Civil Procedure and shall include, without limitation, any writing or record of any type or description, whether printed or recorded (mechanically or electronically) or reproduced by hand, including, without limitation, any letters, e-mails (sent, received, deleted, saved or other, with all attachments), text messages, SMS, MMS, BBM, and other instant message system or format, correspondence, telegrams, memoranda, notes, records, reports, financial statements, statistical and financial records, minutes, memoranda, notice or notes of meetings, telephone or personal conversations or conferences or other communications, envelopes, interoffice, intra-office or intra-company communications, microfilm, microfiches, tape recordings, videotapes, photographs, bulletins, studies, plans, analyses, notices, computer records, runs, programs or software and any codes necessary to comprehend such records, runs, programs or software, hard drives, CD-ROMs, memory cores, tapes, disks, books, pamphlets, illustrations, lists, forecasts, brochures, periodicals, charts, graphs, indexes, bills, statements, files, agreements, contracts, subcontracts, completed forms, schedules, work sheets, data compilations, policies, amendments to policies or contracts, training manuals, operator's manuals, users manuals, calendars, diaries, test results, reports and notebooks, opinions or reports of consultants, and any other written, printed, typed, recorded, or graphic matter, of any nature, however produced or reproduced, including copies and drafts of such documents, and any and all handwritten notes or notations in whatever form. **"Documents"** shall include those documents in your possession, custody or control.
- b. **"Communication" or "communications"** means the transmittal of information (in the form of facts, ideas, inquiries or otherwise) and includes, without limitation, every manner or means of statement, utterance, notation, disclaimer, transfer or exchange of information of any nature whatsoever, by or to whomever, whether oral or written or whether face-to-face, by telephone, mail, facsimile, electronic mail (email), personal delivery or otherwise, including but not limited to, correspondence, conversations, dialogue, discussions, interviews, consultations, agreements, and other understandings.
- c. **"Person" or "persons"** shall mean natural persons, firms, partnerships, associations, joint ventures, limited liability companies, corporations, and any other form of business organization or arrangement, as well as governmental or quasi-governmental agencies. If other than a natural person, include all natural persons

associated with such entity.

- d. **"Concern"** or **"concerning"** or **"referring"** or **"pertaining"** or **"relating to"** means, in whole or in part, directly or indirectly, referring to, relating to, connected with, commenting on, responding to, showing, describing, analyzing, reflecting, and constituting.
- e. **"You" or "Your" or "Yours"** means US BANK NATIONAL ASSOCIATION and its agents, assigns, employees, attorneys, investigators, and all other representatives, persons or entities acting for or on its behalf, and/or persons or entities in which it owns any interest.
- f. **"J.P. Morgan"** means Defendant, JPMorgan Chase Bank, N.A., Individually/Corporately and as Trustee of the South Texas Syndicate Trust, its agents or representatives, owners, officers, employees, predecessors and/or successors in interests and all other persons or entities acting in concert with it or under its control, whether directly or indirectly, including any attorney.\
- g. **"Aymes"** means Defendant, Gary P. Aymes.
- h. **"Defendants"** means Defendants J.P. Morgan and Aymes including their respective (as applicable) agents or representatives, owners, officers, employees, predecessors and/or successors in interests and all other persons or entities acting in concert with them or under their control, whether directly or indirectly, including any attorney.
- i. **"STS Trust"** means the South Texas Syndicate Trust described in Plaintiffs' Consolidated Second Amended Petition including, without limitation all assets owned or controlled by the STS Trust.
- j. **"STS Trust Minerals"** means the mineral interests owned by the STS Trust under approximately 132,000 acres of land in La Salle and McMullen Counties, Texas described in Paragraph 22 of Plaintiffs' Consolidated Second Amended Petition.
- k. **"Trust Beneficiary(ies)"** means the holders of certificates of beneficial interests in the STS Trust.
- l. **"Claim"** or **"claims"** means any and all or causes of or action or defenses urged by any party in the above-captioned cause or known to you, including any claims as yet unasserted.
- m. **"Lawsuit"** means this lawsuit filed under the above-referenced heading and cause number.

II. MATTERS UPON WHICH EXAMINATION IS REQUESTED

A. The Plaintiff/Intervenor Trust Entities

1. The identity of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.
2. The beneficiaries of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.
3. The administration of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.

B. Allegations Regarding Trustee's Fees and Expenses

4. Your allegations that JPMorgan charged excessive, unreasonable, unnecessary, and unauthorized fees to the Trust.
5. Your allegations that JPMorgan paid excessive, unreasonable, unnecessary, and unauthorized fees to third parties out of the Trust income and assets.
6. Your published fee schedules for the fiduciary services that You provide for the periods between January 1, 2005 through the present.

C. Allegations Regarding Conflict of Interests

7. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that present an actual or potential conflict of interest for the Trustee to the detriment of Plaintiffs and other beneficiaries, including arrangements with Petrohawk, Pioneer, and EOG.
8. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that directly or indirectly benefited the Trustee to the detriment of Plaintiffs and other beneficiaries.
9. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that contained provisions that were significantly below market, depriving the Trust of significant revenue.
10. Your allegations that JPMorgan violated any duties regarding conflicts of interests.
11. Any alleged violation of Information Barriers by JPMorgan.
12. Information Barriers that pertain to JPMorgan.
13. Your Information Barriers policies.

14. Information Barriers required by Regulation 9 of the Office of the Comptroller of the Currency.

D. Allegations Regarding Leases

15. Your allegation that JPMorgan entered into any below market value leases with respect to the STS Trust.
16. Your allegation that JPMorgan acted imprudently with respect to entering into mineral leases for the STS Trust.

E. Allegations Regarding Mismanagement and Tortious Action

17. Your allegations that JPMorgan mismanaged the STS Trust.
18. Your allegations that JPMorgan is guilty of tortious actions.
19. Your allegations that JPMorgan committed fraud.
20. Your allegations that JPMorgan was guilty of fraud by nondisclosure.
21. Your allegations that JPMorgan was guilty of negligent misrepresentation.

F. Serving as Successor Trustee of the STS Trust

22. Your interest or desire to serve as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.
23. Internal communications mentioning or pertaining to Your serving as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

G. Allegations Regarding the Resignation of JPMorgan

24. Allegations regarding the resignation of JPMorgan contained in Plaintiffs' Fourth Amended Original Petition (pp. 16-22).

H. Communication and Presentation Regarding the STS

25. Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) about the Defendants and/or the services provided by J.P. Morgan as Trustee of the STS Trust.
26. Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) regarding any annual meeting of the Trust Beneficiaries.

27. Internal communications and notes mentioning or pertaining to any annual meeting of the Trust Beneficiaries.
28. The annual meetings of Trust Beneficiaries.
29. The presentation by several of the Plaintiffs' attorneys on October 15, 2011 in San Antonio, Texas.

I. Capacity and Damages

30. Whether Intervenor is bringing this action on behalf of themselves only, all beneficiaries, or the STS Trust.
31. Whether Intervenor is seeking damages on behalf of themselves only, all beneficiaries, or the STS Trust.

Exhibit A

CAUSE NO. 2010-CI-10977

JOHN K. MEYER, ET. AL.

VS.

JPMORGAN CHASE BANK, N.A.
INDIVIDUALLY/CORPORATELY
AND AS TRUSTEE OF THE SOUTH
TEXAS SYNDICATE TRUST
and GARY P. AYMES

§
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§
§
§
§

IN THE DISTRICT COURT

225TH JUDICIAL DISTRICT

BEXAR COUNTY, TEXAS

**AMENDED NOTICE OF INTENTION TO TAKE ORAL AND VIDEOTAPED
DEPOSITION OF THE CORPORATE REPRESENTATIVES
OF WELLS FARGO BANK, N.A.**

Defendants will take the oral deposition of WELLS FARGO BANK, N.A., in its representative capacity as described in its Plea in Intervention, at the following date, time, and place:

Date: March 3, 2014

Time: 9:30 a.m.

**Place: Tinsman & Sciano, Inc.
10107 McAllister Frwy.
San Antonio, Texas 78216**

The deposition shall continue from day to day until the deposition is completed. The deposition will be recorded by stenographic means and may also be recorded by videotape.

The matters upon which examination is requested are listed in the attached Exhibit "A." Under TRCP 199.2(b)(1), the deponent WELLS FARGO BANK, N.A., in its representative capacity as described in its Plea in Intervention, "must – a reasonable time before the deposition – designate one or more individuals to testify on its behalf and set forth, for each individual designated, the matters on which the individual will testify."

Respectfully submitted,

**HORNBERGER SHEEHAN FULLER
WITTENBERG & GARZA INCORPORATED**

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By: 

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State Bar No. 18175500
Rudy A. Garza
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David Jed Williams
State Bar No. 21518060

And

HUNTON & WILLIAMS LLP

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Charles A. Gall
State Bar No. 07281500
John C. Eichman
State Bar No. 06494800
Amy S. Bowen
State Bar No. 24028216

ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing NOTICE OF INTENTION TO TAKE ORAL AND VIDEOTAPED DEPOSITION OF THE CORPORATE REPRESENTATIVES OF WELLS FARGO BANK, N.A. was served upon the following, in the manner indicated, on this the 21st day of February 2014:

Mr. George Spencer, Jr.
Mr. Robert Rosenbach
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San Antonio, Texas 78205

VIA EMAIL

Mr. James L. Drought
Ian Bolden
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VIA EMAIL

Mr. Richard Tinsman
Ms. Sharon C. Savage
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San Antonio, Texas 78205

VIA EMAIL

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Mr. Jim L. Flegle
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Dallas, Texas 75251

VIA EMAIL

Mr. John B. Massopust
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Minneapolis, MN 55415-1152

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Mr. Matthew Gollinger
ZELLE HOFMANN VOELBEL & MASON LLP
500 Washington Avenue South, Suite 4000
Minneapolis, MN 55415-1152

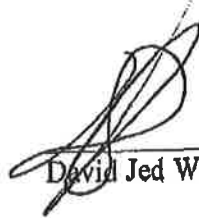
VIA EMAIL

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EXHIBIT "A"

I. DEFINITIONS

The following definitions shall have the following meanings, unless the context requires otherwise:

- a. **"Document" or "documents"** is defined to be synonymous in meaning and equal in scope to the usage of this term in Tex. R. Civ. P. 192.3(b). A draft or a non-identical copy is a separate document within the meaning of the term. **"Documents"** shall mean every document within the widest possible scope of the Texas Rules of Civil Procedure and shall include, without limitation, any writing or record of any type or description, whether printed or recorded (mechanically or electronically) or reproduced by hand, including, without limitation, any letters, e-mails (sent, received, deleted, saved or other, with all attachments), text messages, SMS, MMS, BBM, and other instant message system or format, correspondence, telegrams, memoranda, notes, records, reports, financial statements, statistical and financial records, minutes, memoranda, notice or notes of meetings, telephone or personal conversations or conferences or other communications, envelopes, interoffice, intra-office or intra-company communications, microfilm, microfiches, tape recordings, videotapes, photographs, bulletins, studies, plans, analyses, notices, computer records, runs, programs or software and any codes necessary to comprehend such records, runs, programs or software, hard drives, CD-ROMs, memory cores, tapes, disks, books, pamphlets, illustrations, lists, forecasts, brochures, periodicals, charts, graphs, indexes, bills, statements, files, agreements, contracts, subcontracts, completed forms, schedules, work sheets, data compilations, policies, amendments to policies or contracts, training manuals, operator's manuals, users manuals, calendars, diaries, test results, reports and notebooks, opinions or reports of consultants, and any other written, printed, typed, recorded, or graphic matter, of any nature, however produced or reproduced, including copies and drafts of such documents, and any and all handwritten notes or notations in whatever form. **"Documents"** shall include those documents in your possession, custody or control.
- b. **"Communication" or "communications"** means the transmittal of information (in the form of facts, ideas, inquiries or otherwise) and includes, without limitation, every manner or means of statement, utterance, notation, disclaimer, transfer or exchange of information of any nature whatsoever, by or to whomever, whether oral or written or whether face-to-face, by telephone, mail, facsimile, electronic mail (email), personal delivery or otherwise, including but not limited to, correspondence, conversations, dialogue, discussions, interviews, consultations, agreements, and other understandings.
- c. **"Person" or "persons"** shall mean natural persons, firms, partnerships, associations, joint ventures, limited liability companies, corporations, and any other form of business organization or arrangement, as well as governmental or quasi-governmental agencies. If other than a natural person, include all natural persons

associated with such entity.

- d. **"Concern"** or **"concerning"** or **"referring"** or **"pertaining"** or **"relating to"** means, in whole or in part, directly or indirectly, referring to, relating to, connected with, commenting on, responding to, showing, describing, analyzing, reflecting, and constituting.
- e. **"You"** or **"Your"** or **"Yours"** means WELLS FARGO BANK, N.A. and its agents, assigns, employees, attorneys, investigators, and all other representatives, persons or entities acting for or on its behalf, and/or persons or entities in which it owns any interest.
- f. **"J.P. Morgan"** means Defendant, JPMorgan Chase Bank, N.A., Individually/Corporately and as Trustee of the South Texas Syndicate Trust, its agents or representatives, owners, officers, employees, predecessors and/or successors in interests and all other persons or entities acting in concert with it or under its control, whether directly or indirectly, including any attorney.\
- g. **"Aymes"** means Defendant, Gary P. Aymes.
- h. **"Defendants"** means Defendants J.P. Morgan and Aymes including their respective (as applicable) agents or representatives, owners, officers, employees, predecessors and/or successors in interests and all other persons or entities acting in concert with them or under their control, whether directly or indirectly, including any attorney.
- i. **"STS Trust"** means the South Texas Syndicate Trust described in Plaintiffs' Consolidated Second Amended Petition including, without limitation all assets owned or controlled by the STS Trust.
- j. **"STS Trust Minerals"** means the mineral interests owned by the STS Trust under approximately 132,000 acres of land in La Salle and McMullen Counties, Texas described in Paragraph 22 of Plaintiffs' Consolidated Second Amended Petition.
- k. **"Trust Beneficiary(ies)"** means the holders of certificates of beneficial interests in the STS Trust.
- l. **"Claim"** or **"claims"** means any and all or causes of or action or defenses urged by any party in the above-captioned cause or known to you, including any claims as yet unasserted.
- m. **"Lawsuit"** means this lawsuit filed under the above-referenced heading and cause number.

II. MATTERS UPON WHICH EXAMINATION IS REQUESTED

A. The Plaintiff/Intervenor Trust Entities

1. The identity of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.
2. The beneficiaries of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.
3. The administration of the "twenty-four (24) trust entities" referred to in the Plea in Intervention You filed on or about January 17, 2012.

B. Allegations Regarding Trustee's Fees and Expenses

4. Your allegations that JPMorgan charged excessive, unreasonable, unnecessary, and unauthorized fees to the Trust.
5. Your allegations that JPMorgan paid excessive, unreasonable, unnecessary, and unauthorized fees to third parties out of the Trust income and assets.
6. Your published fee schedules for the fiduciary services that You provide for the periods between January 1, 2005 through the present.

C. Allegations Regarding Conflict of Interests

7. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that present an actual or potential conflict of interest for the Trustee to the detriment of Plaintiffs and other beneficiaries, including arrangements with Petrohawk, Pioneer, and EOG.
8. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that directly or indirectly benefited the Trustee to the detriment of Plaintiffs and other beneficiaries.
9. Your allegations that JPMorgan failed to fulfill the fiduciary duties of good faith, fair dealing and loyalty and fidelity over the Trust's affairs and the Trust property by, *inter alia*, entering into arrangements with third parties that contained provisions that were significantly below market, depriving the Trust of significant revenue.
10. Your allegations that JPMorgan violated any duties regarding conflicts of interests.
11. Any alleged violation of Information Barriers by JPMorgan.
12. Information Barriers that pertain to JPMorgan.
13. Your Information Barriers policies.

14. Information Barriers required by Regulation 9 of the Office of the Comptroller of the Currency.

D. Allegations Regarding Leases

15. Your allegation that JPMorgan entered into any below market value leases with respect to the STS Trust.
16. Your allegation that JPMorgan acted imprudently with respect to entering into mineral leases for the STS Trust.

E. Allegations Regarding Mismanagement and Tortious Action

17. Your allegations that JPMorgan mismanaged the STS Trust.
18. Your allegations that JPMorgan is guilty of tortious actions.
19. Your allegations that JPMorgan committed fraud.
20. Your allegations that JPMorgan was guilty of fraud by nondisclosure.
21. Your allegations that JPMorgan was guilty of negligent misrepresentation.

F. Serving as Successor Trustee of the STS Trust

22. Your interest or desire to serve as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.
23. Internal communications mentioning or pertaining to Your serving as Trustee of the STS Trust and/or some other Person serving as Trustee of the STS Trust.

G. Allegations Regarding the Resignation of JPMorgan

24. Allegations regarding the resignation of JPMorgan contained in Plaintiffs' Fourth Amended Original Petition (pp. 16-22).

H. Communication and Presentation Regarding the STS

25. Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) about the Defendants and/or the services provided by J.P. Morgan as Trustee of the STS Trust.
26. Communications between You and any Trust Beneficiary (or Trust Beneficiary representative) regarding any annual meeting of the Trust Beneficiaries.

27. Internal communications and notes mentioning or pertaining to any annual meeting of the Trust Beneficiaries.
28. The annual meetings of Trust Beneficiaries.
29. The presentation by several of the Plaintiffs' attorneys on October 15, 2011 in San Antonio, Texas.

I. Capacity and Damages

30. Whether Intervenor is bringing this action on behalf of themselves only, all beneficiaries, or the STS Trust.
31. Whether Intervenor is seeking damages on behalf of themselves only, all beneficiaries, or the STS Trust.