
**IN THE CIRCUIT COURT OF ST. FRANCIS COUNTY, ARKANSAS
CIVIL DIVISION**

SARA STEWMON

PLAINTIFF

vs.

NO. 62CV-13-141-2

FILED

SEP 27 2013

TIME: _____ M
BETTE S. GREEN, CLERK
ST. FRANCIS COUNTY

**SEECO, Inc., DESOTO GATHERING
COMPANY, LLC. and SOUTHWESTERN
MIDSTREAM SERVICES COMPANY**

DEFENDANTS

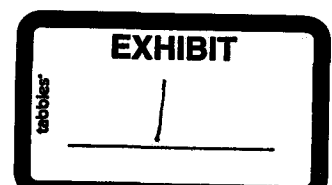
CLASS ACTION COMPLAINT

COMES NOW the Plaintiff, by and through counsel and, hereby files her cause of action against the Defendants.

INTRODUCTION

This class action lawsuit is filed on behalf of the Plaintiff, who is an adult resident citizen of St. Francis County, State of Arkansas, as well as all other resident citizens of the State of Arkansas who have leased property to the Defendant SEECO for purposes of natural gas extraction.

This action is being brought against the Defendants seeking an accounting and disgorgement of profits obtained by the Defendants through fraud, theft, deception and/or unjust enrichment and which are rightfully owed to your Plaintiff



herein. As this matter seeks class action status, it seeks disgorgement of profits obtained by the Defendants from all the other putative Plaintiffs in the State of Arkansas.

JURISDICTION AND VENUE

1. Plaintiff, Sarah Stewmon, is an adult resident citizen of St. Francis County, Arkansas, residing at 122 Jack Burns Road, Palestine, Arkansas.

2. Defendant, **SEECO Inc.**, hereinafter referred to as "SEECO", is an Arkansas corporation with its principal place of business located in Conway, Faulkner County, Arkansas.

3. Defendant, **Desoto Gathering Company, LLC.**, hereinafter referred to as "Desoto Gathering", is an Arkansas LLC with its principal place of business located in Conway, Faulkner County, Arkansas. Desoto Gathering Company is a subsidiary of Defendant Southwestern Midstream Services Company.

4. Defendant, **Southwestern Midstream Services Company**, hereinafter referred to as "SWN Midstream", is an Arkansas Corporation with its principal place of business located in Conway, Faulkner County, Arkansas.

5. Plaintiff's causes of action arise in the State of Arkansas and in St. Francis County as a direct result of the fraudulent and tortious conduct of the Defendants. These causes of action are for past, present and ongoing, continuing torts which remain unabated.

6. This Court has jurisdiction over this action pursuant to A.C.A. § 16-60-113. Further, this court has jurisdiction as set forth in the matter of *SEECO v. Hales*, 22 S.W.3rd 157 (Arkansas 2000).

7. Plaintiff specifically alleges that valid service of process has been issued and will be properly served upon the Defendants herein.

8. Plaintiff specifically alleges that the Defendants herein cannot identify any individual or legal entity who is not a party to this action, who caused or contributed to the injuries and damages for which the Plaintiff seeks recovery herein.

9. The Defendants are being sued individually, and under the Doctrine of Respondeat Superior, for the actions and/or inactions of themselves, and their agents, apparent agents, servants and/or employees.

10. The class of persons on whose behalf this action is being brought are all resident citizens of the State of Arkansas who entered into leases with Defendant SEECO for the development and operation of natural gas wells on property located in the State of Arkansas.

FACTS

11. The Defendant SEECO is an energy company primarily engaged in natural gas exploration, development and production in the State of Arkansas.

12. The Defendant Desoto Gathering is involved in natural gas gathering, treating and marketing, or in natural gas parlance, "midstream services."

13. The Defendant Southwestern Midstream Services Company is involved in gathering, treating and marketing of natural gas extracted from the Fayetteville Shale.

14. The Defendants SEECO, Desoto Gathering and SWN Midstream are all affiliated entities sharing most all of the same officers and board members.

15. The corporate structure of these three entities is purposefully comingled and intertwined to permit the Defendants to buy and sell services from each other, with commensurate "mark ups" or profits derived from these sales and purchases. By generating profits from these incestuous and not arms length transactions, the Defendants fraudulently increase the amounts of royalty deductions taken by Defendant SEECO from your Plaintiff's royalty checks. This scheme is detailed more particularly hereinafter.

16. The Defendant SEECO presented the Plaintiff with an offer to lease her mineral rights for exploration. This offer was sent by Defendant SEECO to the Plaintiff's home address in St. Francis County, AR. Subsequently, SEECO entered into an Oil and Gas Lease with the Plaintiff. Pursuant to this lease, SEECO was required to pay the Plaintiff royalties for oil, gas or other minerals which were produced from the leased lands.

The lease provided for the Lessee (SEECO) to deduct "reasonable costs" that SEECO incurred for compression, gathering, transportation, treatment, processing and marketing the gas for sale. The Lease also provided for the

Lessee (SEECO) to use gas, oil or water found in the leased land for the Lessee's operations. (A copy of the lease is attached hereto as Exhibit 1 to this complaint.)

17. SEECO, as lessee and producer of gas pursuant to the subject leases, has a fiduciary relationship with respect to its royalty owners, including your Plaintiff and all similarly situated putative Plaintiffs who are residents of the State of Arkansas. Specifically, SEECO owes a fiduciary duty in all of its dealings with the Plaintiff including: measuring, calculating and accurately reporting gas production from the leased lands; measuring, calculating and accurately reporting reasonable costs which were actually incurred; and calculating and paying royalty payments.

18. In an effort to maximize their profits, the Defendants have created a system in which they fraudulently sell their services to each other, setting up a system of self-dealing to ultimately benefit the Defendants by minimizing royalty payments to your Plaintiff.

Through the transactions related hereinafter, the Defendants are able to sell services "to themselves," marking up the costs of those services in order to generate additional profits. Specifically, through this fraudulent scheme between the Defendants, Desoto Gathering and SWN Midstream, are able to charge inflated fees for its compression and gathering services to SEECO, which are then taken as royalty deductions from mineral owners such as your Plaintiff and all other putative class members. Those deductions are then ultimately deposited as profit

for the Defendants.

19. The fees and charges which SEECO is charged by Defendants Desoto Gathering and SWN Midstream are not the result of any arms length transactions, but rather are the result of fraudulent manipulation among the three defendants, with no relation to the actual costs of services provided by Desoto Gathering and SWN Midstream services.

20. In addition to fraudulently marking up costs through self dealing, these Defendants have manipulated the ultimate sales price of Plaintiff's gas in such a way as to generate additional income to the Defendants while not paying the true price to Plaintiff for the gas sold. That coupled with the inflated deductions taken from Plaintiff's royalty payments results in an unjust and fraudulent enrichment of the Defendants to the detriment of Plaintiff and all other Arkansas residents who are parties to gas leases with Defendant SEECO.

21. Further, through the actions and inactions of these Defendants to the detriment of your Plaintiff, Desoto Gathering and SWN Midstream are using a significant portion of the Plaintiff's gas as fuel gas for their compressor engines despite the fact that there is no agreement, or relationship between the Plaintiff and Desoto Gathering or SWN Midstream which would permit such use.

22. This fraudulent and unjust process by these Defendants has occurred through the misrepresentations made by the Defendants to the Plaintiff in three primary ways:

A- The Defendant SEECO deducted inflated and fabricated costs from the royalties which were generated from the gas produced on the Plaintiff's lands. The Plaintiff's lease allows only for the deduction of actual costs incurred by the lessee (SEECO), and does not allow for a profit making venture for the Defendants at the Plaintiff's expense. In discovery answers filed in the Eastern District of Arkansas, it was acknowledged that SEECO incurred no "actual costs" in the compression and gathering of its royalty owner's gas. As such, these costs were completely fabricated for deduction from Plaintiff's royalties in an effort to generate more profits for the Defendants. These inflated and fraudulent costs were tabulated on the royalty statements sent by the Defendant SEECO to the Plaintiff at her home in St. Francis County, AR.

B- The Defendant SEECO concealed its conflict of interest when purchasing services from its affiliate companies Desoto Gathering and SWN Midstream. Despite SEECO's duties to the Plaintiff as imposed by the contract between them, the royalty statements sent to the Plaintiff at her home address in St. Francis County, AR, do not communicate the conflict of interest and self dealing by and between SEECO and Desoto Gathering and SWN Midstream. Furthermore, it does not alert the Plaintiff that the purchase of the midstream services was not an arm's length transaction. The Plaintiff is not sophisticated in the realms of oil and gas midstream services, and as such relied wholly on the lessee and producer, SEECO, to act in her best interest, and to properly

communicate any conflict of interest which are relevant to the calculation of deductions from Plaintiff's royalties.

The fraud was concealed by the Defendants and could not have been expected to be uncovered by the Plaintiff who is unsophisticated in the laws and practices governing the oil and gas industry, and who relied fully on the fiduciary duty owed her by the lessee and producer, Defendant SEECO. The Plaintiff relied on the false and fraudulent representations which were made to her in the royalty statements sent by the Defendant SEECO to Plaintiff's home addresses in St. Francis County, AR.

C- The Defendant SEECO has concealed the use of gas which was produced from the Plaintiff's lands but was not accounted for in SEECO's royalty statements to the Plaintiff. This gas was used by Defendants Desoto Gathering and SWN Midstream as fuel gas, though they had no relationship to the Plaintiff, and had no right to use this gas without proper compensation. Defendants Desoto Gathering and SWN Midstream have made no attempt to notify the Plaintiff of this use, nor to compensate the Plaintiff for the stolen gas. After the gas was wrongfully taken from the Plaintiff, the theft was concealed by the fraudulent royalty statements generated by Defendant SEECO which did not account for the gas which was wrongfully taken, nor did it calculate or offer payment for this wrongfully used gas. These fraudulent royalty statements were sent by Defendant SEECO to the Plaintiff at her home address in St. Francis County, AR. The

Plaintiff is unsophisticated in the realms of modern oil and gas production, and had no way of knowing how much gas was produced from her leased lands, and as such relied wholly on the lessee and producer, SEECO, to act in her best interest, and to properly account for all gas which was produced from her lands.

23. The amount of money generated through this fraudulent scheme is in the hundreds of millions of dollars per year.

BREACH OF CONTRACT

24. Plaintiff repeats and re-alleges the allegations of Paragraphs 1 through 23 of this complaint as if set forth in this paragraph at length.

25. The Defendants' collective conduct constitutes a fraudulent breach of contract in that it materially and fraudulently violates the terms and conditions of the contract entered into between Plaintiff and Defendant SEECO.

26. The Defendants' self dealing is violative of the good faith and fair dealing requirements mandated by the contractual agreement between the Plaintiff and Defendant SEECO and as such constitutes a breach of that contract. The language of the contract states that the contract provides only for deductions of reasonable costs incurred by Lessee, and does not provide for a profit making venture visavis the mineral owner such as your Plaintiff through a series of fraudulent, self dealing transactions carried out by the Defendants. The actual language of the contract states as follows:

In calculating the proceeds derived from the sale of gas produced, saved and

sold by Lessee, Lessee shall be entitled to deduct all *reasonable gathering, transportation, treatment, compression, processing and marketing costs that are incurred by Lessee* in connection with the sale of such gas. (Emphasis added).

27. The Defendants Desoto Gathering and SWN Midstream use compressors and other equipment to gather, treat, and compress shale gas extracted from wells in the Fayetteville shale. All of this equipment runs on the same shale gas that it is gathering, treating and compressing. As such a portion of the Plaintiff's gas is used by Defendants Desoto Gathering and SWN Midstream to run their operations without permission or compensation and without any contractual right to use such fuel. This constitutes a theft of property. That theft of property enures to the direct benefit of the Defendants.

By way of background, the language of the existing gas lease with the Plaintiff states that the *lessee* (SEECO) is allowed to use gas for *its* (SEECO's) operations. The lease that the Plaintiff entered into with SEECO states in pertinent part "*Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations...*"(emphasis added). Desoto Gathering and SWN Midstream, which have used the Plaintiff's gas as fuel to run its gathering, treating and compression operations, have not entered into an agreement with the Plaintiff.

28. It is further alleged that the Defendants' fraudulent conduct was

intentional and arose as a result of the Defendants' use of its superior knowledge and was carried out as a concerted effort to take advantage of your Plaintiff who is not sophisticated in the realms of gas exploration, extraction, compression, marketing and transmission.

29. The Defendants' conduct is violative of the requirement of fair dealing and honest transactions and is also violative of the standards required of reasonable and prudent operators such as the Defendants.

UNJUST ENRICHMENT

30. Plaintiff repeats and re-alleges the allegations of paragraphs 1 through 29, above as if set forth in this paragraph at length.

31. That the Defendants have been unjustly enriched by the fraudulent and improper activities described above and as such the Defendants should be required to account for and disgorge any and all profits so derived.

BREACH OF STATUTORY DUTY OF GOOD FAITH PRUDENT OPERATOR STANDARD, A.C.A. §15-73-207

32. Plaintiff repeats and re-alleges the allegations of paragraphs 1 through 31 above as if set forth in this paragraph at length. The Defendants have a statutory duty to the Plaintiff to accurately pay royalties associated with the production of natural gas and its constituent parts, pursuant to A.C.A. §15-73-207. The conduct of the Defendants as set forth above, is a breach of that duty.

**TREBLE DAMAGES AND ATTORNEYS FEES
FOR UNDERPAYMENT**

33. Plaintiff repeats and re-alleges the allegations of paragraphs 1 through 32 above as if set forth in this paragraph at length. The Defendants' conduct, as described above, is in violation of A.C.A. §15-74-708 and therefore the Defendants should be required to forfeit to the Plaintiff, treble value of the amount of gas runs thus wrongfully taken from her.

**UNFAIR AND DECEPTIVE PRACTICES IN VIOLATION OF THE
ARKANSAS DECEPTIVE TRADE PRACTICES ACT**

34. The Plaintiff repeats and re-alleges the allegations of paragraphs 1 through 33 as if set forth in this paragraph at length.

35. The Defendants' activities as set forth above, are violative of the Arkansas Deceptive Trade Practices Act, Ark. Code Ann. § 4-88-101 et seq. and specifically, Ark. Code Ann. 4-88-107 and 4-88-108.

36. The Defendants knowingly and intentionally withheld relevant information concerning the royalty calculations and were involved in "knowingly taking advantage of" the Plaintiff by engaging in the aforementioned fraudulent and deceptive activities in violation of the Arkansas Deceptive Trade Practices Act.

37. The Defendants through their actions and inactions, were engaged in an "unconscionable, false, or deceptive act or practice in business, commerce, or

trade” in violation of Ark Code Ann. 4-88-108 by inflating post production costs to the Plaintiff to lessen Plaintiff’s shares of any royalty payments. The Defendants engaged in further violations by fraudulently taking and using Plaintiff’s fuel gas without just compensation.

38. The Defendants, through their actions and inactions, were involved in the “concealment, suppression, or omission of material facts with intent that others rely upon the concealment, suppression, or omission,” in violation of Ark. Code Ann. 44-88-108 (2).55. Plaintiff specifically prays for all damages recoverable under the Arkansas Deceptive Trade Practices Act, including reasonable attorney fees related to bringing this action.

39. Plaintiff further prays for an accounting of all sums derived by Defendants from gas production operations, compressor operations, and marketing and sales activities, as well as the actual costs incurred by the Defendants in carrying out those activities.

40. Defendants are highly familiar with the laws, standard practices and nuances of the gas industry, and have been conducting natural gas operations since the days when the processes of hydraulic fracturing and horizontal drilling were being developed.

41. Specifically, these Defendants developed a system and process to fraudulently generate enormous profits from their “midstream services” operations at the expense of your Plaintiff herein.

42. The Defendants have conspired and worked in concert to defraud your Plaintiff by self-dealing services and upselling said services to generate more profits while lessening royalties due the Plaintiff. The Defendants have structured their gas sales in such a way as to lessen the sales price received by the Plaintiff, while at the same time, obtaining a higher sales price for themselves, again to the detriment of your Plaintiff. The Defendants have also conspired and worked in concert to avoid paying the Plaintiff for fuel gas which was used in the midstream operations of Defendants.

MAGNITUDE OF THE FRAUDULENT SCHEME INVOLVED

43. The amount of money that Defendants generate through their fraudulent gas gathering, compression and marketing activities is enormous. According to published information, the subject activities have generated in excess of 1.4 BILLION Dollars since 2008.

Annually those reported figures break down as follows:

2008 - - \$114,000,000.00

2009 - - \$205,600,000.00

2010 - - \$214,000,000.00

2011 - - \$408,200,000.00

2012 - - \$474,000,000.00

44. The Defendants have used their superior knowledge and inside information to defraud the Plaintiff and all others similarly situated in the State of

Arkansas to such a degree that they have managed to generate staggering sums of money for their coffers.

CLASS ACTION ALLEGATIONS

45. The Plaintiffs repeat and reallege the allegations of paragraphs 1 through 44 of this Complaint, as if set forth in this paragraph at length.

46. The Plaintiff brings this action for herself and on behalf of a class of other similarly situated persons consisting of the following:

“All resident citizens of the State of Arkansas who entered into leases with Defendant SEECO for the development and operation of natural gas wells on property located in the State of Arkansas.”

47. The Plaintiff is a member of the class that she seeks to represent.

48. The class is so numerous that joinder of all members is impracticable. There are more than 1,000 putative class members who are resident citizens of the State of Arkansas.

49. The lease agreements entered into with the Plaintiff and all other putative class members are identical and use the same language quoted above with regard to “costs,” “deductions” and use of gas in SEECO’s operations.

50. There are questions of law and fact which are common to the class, including but not limited to:

- a. Whether the Defendants improperly calculated the putative class members' royalty payments by deducting inflated gathering, cleaning, compressing and marketing charges.
- b. Whether the Defendants were unjustly enriched through collecting the inflated gathering, cleaning, compressing and marketing charges.
- c. Whether the Defendants fraudulently used a series of "self dealing" transactions to the detriment of the putative class members.
- d. Whether the Defendants are guilty of violating the Arkansas Deceptive Trade Practices Act.
- e. Whether the Defendants are guilty of unjust enrichment as a result of the scheme detailed in this class action complaint.
- f. Whether the Defendants violated A.C.A. §15-74-708 by their actions detailed in this class action complaint.
- g. Whether the Defendants are guilty of violating the Prudent Operator Standards to which they are required to adhere.

51. The claims of the representative party are typical of the class members because the action arises from the same common wrongs against the members of the class and are based upon the same lease document used by SEECO in the State of Arkansas.

52. Questions of law and fact common to the members of the class predominate over any questions affecting only individual members because preliminary, overarching issues common to all class members predominate over the individual issues.

53. A class action is superior to other available methods for the fair and efficient adjudication of the controversy because class certification is a more efficient way to handle the case, the class is manageable and class certification will avoid a multiplicity of individual actions.

54. The Plaintiff will fairly and adequately represent and protect the interests of the class.

**INAPPLICABILITY OF THE PROVISIONS OF C.A.F.A. TO THIS
CLASS ACTION COMPLAINT**

55. The Plaintiff repeats and realleges the allegations of paragraphs 1 through 54 of this Complaint, as if set forth in this paragraph at length.

56. Plaintiff specifically avers that this matter is not subject to the provisions of the Class Action Fairness Act, (C.A.F.A. 28 U.S.C. § 1332(d)) for the following reasons:

A- All of the Putative Plaintiffs are residents of the State of Arkansas

B- SEECO, Desoto Gathering and SWN Midstream are Arkansas corporate entities with their principal places of business in the State of Arkansas.

C- None of the aforementioned claims arise out of Federal Law

D- As such, there is no diversity, and thus C.A.F.A. has no applicability what so ever to this matter.

LOSSES AND SPECIAL DAMAGES

57. The Plaintiff repeats and re-alleges the allegations of paragraphs 1 through 56 of this Amended Complaint, as if set forth in this paragraph at length.

58. As a direct and proximate result of the fraudulent and deceptive activities of the Defendants, the Plaintiff has suffered the following losses and special damages:

- A. Diminution of Royalty Payments;
- B. Theft of shale gas without compensation.

RELIEF SOUGHT

WHEREFORE, PREMISES CONSIDERED, Plaintiff, Sara Stewmon, sues the Defendants herein as follows:

- A. Compensatory damages, in the amount of \$10,000,000.00 (Ten Million Dollars).
- B. Punitive Damages in the amount of \$25,000,000.00 (Twenty Five Million Dollars).
- C. Treble Damages as permitted by the aforementioned statutes

Plaintiff further prays for:

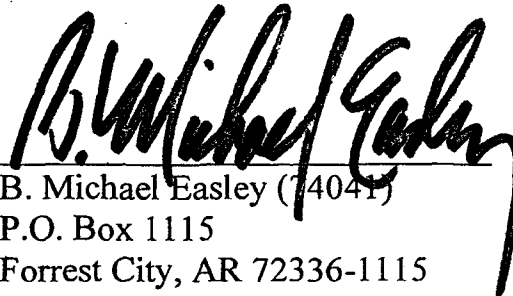
- a. Certification of a class as requested;

- b. A full and complete accounting of any and all funds involved in the aforementioned lease agreements, royalties, deductions, and natural gas sales, as well as any and all of the aforementioned transactions involving the Defendants.
- b. Judgments for compensatory damages for all class members in individual amounts as set forth above;
- c. Judgments for punitive damages for all class members in individual amounts as set forth above;
- d. Treble damages as permitted by the aforementioned statutes
- e. An award of the costs of litigating the case;
- f. An award of attorney fees;
- g. An award of pre-judgment interest;
- h. All other relief to which the Plaintiffs may be entitled

PLAINTIFF RESPECTFULLY REQUESTS CERTIFICATION OF THIS MATTER AS A CLASS ACTION, AND FURTHER REQUESTS A TRIAL BY JURY.

Respectfully submitted,

EASLEY AND HOUSEAL, PLLC

A handwritten signature in black ink that reads "B. Michael Easley". The signature is written in a cursive style and is positioned above the printed name and contact information.

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Form No. 1102

**OIL AND GAS LEASE
(Paid-up Lease—No Delay Rentals)**

THIS AGREEMENT, made and entered into this 10th day of September, 2009, by and between

Billy J. Stewmon and Sara A. Stewmon, Husband and Wife

of 2299 North Washington, Forrest City, AR 72335

hereinafter called Lessor (whether one or more) and SEECO, Inc., 2350 North Sam Houston Parkway East, Suite 125, Houston, Texas 77032, hereinafter called Lessee.

WITNESSETH: Lessor for and in consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration in hand paid, receipt of which is hereby acknowledged, and of the agreements of lessee hereinafter set forth, hereby grants, demises, leases and lets exclusively unto said lessee the lands hereinafter described for the purpose of prospecting, exploring by geophysical and other methods, drilling, mining, operating for and producing oil or gas, or both, including, but not as a limitation, casinghead gas, casinghead gasoline, gas-condensate (distillate) and any substance, whether similar or dissimilar, produced in a gaseous state, together with the right to construct and maintain pipe lines, telephone and electric lines, tanks, power stations, ponds, roadways, plants, equipment and structures thereon to produce, save and take care of said oil and gas, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the:

County of Cleburne, State of Arkansas, and being described as follows, to-wit:

SEE "EXHIBIT A" ATTACHED HERETO AND MADE A PART HEREOF FOR COMPLETE LEGAL DESCRIPTION AND ADDITIONAL PROVISIONS

of Section 4, Township 9 North, Range 8 West, it being the purpose and intent of lessor to lease, and

lessor does hereby lease, all of the lands or interests in lands owned by lessor which adjoin the lands above described or which lie in the section or sections herein specified whether or not herein completely and accurately described, together with and including any accretions thereto which may have formed, may now be forming or may hereafter form. For all purposes of this lease, said land shall be deemed to contain 0.501 acres.

Subject to the other provisions herein contained, this lease shall remain in force for a term of FIVE years from this date

(herein called "primary term") and as long thereafter as oil and gas, or either of them, is produced from the above described land or drilling operations are continuously prosecuted as hereinafter provided. "Drilling Operations" includes operations for the drilling of a new well, the reworking, deepening or plugging back of a well or hole or other operations conducted in an effort to obtain or re-establish production of oil or gas; and drilling operations shall be considered to be "continuously prosecuted" if not more than 180 days shall elapse between the completion or abandonment of one well or hole and the commencement of drilling operations on another well or hole. If, at the expiration of the primary term of this lease, oil or gas is not being produced from the above described land but lessee is then engaged in drilling operations, this lease shall continue in force so long as drilling operations are continuously prosecuted; and if production of oil and gas results from any such drilling operations, this lease shall continue in force so long as oil or gas shall be produced. If, after the expiration of the primary term of this lease, production from the above described land should cease, this lease shall not terminate if lessee is then prosecuting drilling operations, or within 180 days after each such cessation of production commences drilling operations, and this lease shall remain in force so long as such operations are continuously prosecuted, and if production results therefrom, then as long thereafter as oil or gas is produced from the described land.

In consideration of the premises, lessee covenants and agrees:

1. To deliver, free of cost, to lessor at the wells, or to the credit of lessor in the pipeline to which the wells may be connected, the equal one-eighth (1/8) part of oil and other liquid hydrocarbons produced and saved from the leased premises, or, at lessee's option, to pay to lessor for such one-eighth (1/8) royalty the market price at the well for such oil and other liquid hydrocarbons of like grade and gravity prevailing on the day such oil and other liquid hydrocarbons are run from the lease.
2. Lessee shall pay Lessor one-eighth of the proceeds derived from the sale of all gas (including substances contained in such gas) produced, saved, and sold by Lessee. Proceeds are defined as the actual amount received by the Lessee for the sale of said gas. In calculating the proceeds derived from the sale of gas produced, saved and sold by Lessee, Lessee shall be entitled to deduct all reasonable gathering, transportation, treatment, compression, processing and marketing costs that are incurred by Lessee in connection with the sale of such gas.
3. The consideration paid to lessor for this lease includes consideration in lieu of delay rental provisions and the rights and obligations of the parties hereunder shall be the same as if this lease contained provisions for the payment of periodic delay rentals throughout the primary term hereof and each such delay rental had been timely paid and accepted by lessor.
4. If a well capable of producing gas or gas-condensate in paying quantities located on the lease premises (or on acreage pooled or consolidated with all or a portion of the leased premises into a unit for the drilling or operation of such well) is at any time shut in and no gas or gas-condensate therefrom is sold or used off the premises or for the manufacture of gasoline or other products, nevertheless such shut-in well shall be deemed to be a well on the leased premises producing gas in paying quantities and this lease will continue in force during all of the time or times while such well is so shut in,

Form No. 1102

whether before or after the expiration of the primary term hereof. Lessee shall use reasonable diligence to market gas or gas-condensate capable of being produced from such shut-in well but shall be under no obligation to market such products under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. Lessee shall be obligated to pay or tender to lessor within 45 days after the expiration of each period of one year in length (annual period) during which such well is so shut in, as royalty, an amount equal to \$1.00 per acre for the acreage covered by this lease as to which the leasehold rights are, at the end of such annual period, owned by the lessee making such payment; provided that, if lessor owns less than the full and entire royalty interest in such acreage, such payments shall be such part (calculated on a royalty-acre basis) of said amount as lessor's royalty interest bears to the full and entire royalty interest in such acreage; and provided further that, if gas or gas-condensate from such well is sold or used as aforesaid before the end of any such annual period, or if, at the end of any such annual period, this lease is being maintained in force and effect otherwise than by reason of such shut-in well, lessee shall not be obligated to pay or tender, for that particular annual period, said sum of money. Such payment shall be deemed a royalty under all provisions of this lease. Such payment may be made or tendered to

lessor or to lessor's credit in the _____ Pay directly to Lessor at the above address _____ Bank at _____ which bank and its

successors shall continue as the depository regardless of changes in the ownership of said land or the right to receive royalty hereunder. Royalty ownership as of the last day of each such annual period as shown by lessee's records shall govern the determination of the party or parties entitled to receive such payment.

5. If lessor owns a less interest in the land covered by this lease than the entire and undivided fee simple mineral estate therein, then whether or not such less interest is referred to or described herein, all royalties herein provided shall be paid lessor only in the proportion (calculated on royalty-acre basis) which the royalty interest owned by him in said land bears to the full and entire royalty interest in said land.

6. If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in the ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of the lessee or require separate measuring or installation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge of or notice to lessee, no change in the ownership of said land or of the right to receive royalties hereunder, or of any interest therein, whether by reason of death, conveyance or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until 90 days after lessee has been furnished written notice thereof, and the supporting information hereinafter referred to, by the party claiming as a result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all documents and other instruments or proceedings necessary in lessee's opinion to establish ownership of the claiming property.

7. Lessee may, at any time, execute and deliver to lessor or place of record a release covering all or any part of the acreage embraced in the leased premises or covering any one or more zones, formations or depths underlying all or any part of such acreage, and thereupon shall be relieved of all obligations thereafter to accrue with respect to the acreage, zones, formations or depths covered by such release.

8. Lessee is granted the right, from time to time while this lease is in force, to pool into a separate drilling or operating unit or units all or any part of the land covered by this lease with other land, lease or leases, or interests therein (whether such other interests are pooled by a voluntary agreement on the part of the owners therefore by the exercise of a right to pool by the lessees thereof, when in the lessee's judgment it is necessary or advisable in order to promote conservation, to properly develop or operate the land and interest to be pooled, or to obtain a multiple production allowable from any government agency having control over such matters. Moreover, if any governmental regulation or order shall permit or prescribe a spacing pattern for the development of a field wherein the above described land, or a portion thereof, is located, or allocate a producing allowable based on acreage per well, then any such unit may embrace such additional or lesser amount of acreage as may be so permitted or prescribed or as may be permitted in such allocation of allowable. In lieu of the royalties elsewhere herein specified, except shut-in gas well royalties, lessor shall receive on production from an area so pooled only such portion of the royalties which, in the absence of such pooling, would be payable hereunder to lessor on production from the land covered by this lease which is placed in the pooled area as the amount of the surface acreage in the land covered by this lease which is placed in the pooled area bears to the amount of the surface acreage of the entire pooled area. Nothing herein contained shall authorize or effect any transfer of any title to any leasehold, royalty or other interest pooled pursuant hereto. The commencement of a well, the conduct of other drilling operations, the completion of a well or of a dry hole, or the operation of a producing well on the pooled area, shall be considered for all purposes (except for royalty purposes) the same as if said well were located upon, or such drilling operations were conducted upon, the lands covered by this lease whether or not such well is located upon, or such drilling operations are conducted upon, said lands. Lessee may terminate any pooling effected pursuant hereto at any time the pooled unit is not producing and no drilling operations are being conducted thereupon by executing and filing of record in the county or counties in which the pooled area is located a written declaration of the termination of such pooling, provided that the pooling of all interests not covered by this lease which comprise a part of such pooled unit be also terminated in some effective manner.

9. Lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations, except water from the wells of the Lessor. When required by the Lessor, the Lessee shall bury its pipelines below plow depth and shall pay reasonable damages for injury by reason of its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to any house or barn or other structure on said premises as of the date of this Lease without the written consent of the Lessor. Lessee shall have the right at any time during, or after the expiration of this Lease to enter upon the property and to remove all machinery, fixtures, and other structures placed on said premises, including the right to draw and remove all casing, but the Lessee shall be under no obligation to do so.

10. Lessor hereby warrants and agrees to defend the title to the lands herein described, but if the interest of lessor covered by this lease is expressly stated to be less than the entire fee or mineral estate, lessor's warranty shall be limited to the interest so stated. Lessee may purchase or lease the rights of any party claiming any interest in said land and exercise such rights as may be obtained thereby but lessee shall not suffer any forfeiture nor incur any liability to lessor by reason thereof. Lessee shall have the right at any time to pay for lessor, any mortgage, taxes or other lien on said lands, in the event of default of payment by lessor, and be subrogated to the rights of the holder thereof, and any such payments made by lessee for lessor may be deducted from any amounts of money which may become due lessor under this lease.

11. In the event lessor considers that lessee is in breach of any of its obligations hereunder, lessor shall notify lessee in writing of the facts relied upon as constituting a breach hereof, and lessee, if in breach hereof, shall have sixty days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this lease. Until such time as lessee has been given the above described written notice and opportunity to cure the asserted breach, lessee shall not be considered in default under the terms of this lease.

12. Should lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, by operation of force majeure, by any Federal or State law or any order, rule or regulation of governmental authority, or by any other cause beyond the reasonable control of lessee, then while so prevented, lessee's obligation to comply with such covenant shall be suspended, and lessee shall not be liable in damages for

...to comply therewith, and the lease shall be extended until the expiration of the term of production by this lease shall have been continuing during its reworking operations on or from producing oil or gas from the leased premises; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

13. This lease and all provisions thereof shall be applicable to, binding upon and enforceable by the parties thereto and their respective successors and assigns. Reference herein to lessor and lessee shall include reference to their respective successors and assigns, it being expressly agreed that lessor and lessee shall have the right to assign. Should any one or more of the parties named above as lessors not execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

14. Each wife/husband above named hereby joins in the execution and delivery of this lease for the purpose of conveying, releasing and relinquishing unto lessee, for the purpose and consideration aforesaid; all of his/her right, title, interest and estate in said land, including any rights of dower/curtesy and homestead which he/she may have therein.

IN WITNESS WHEREOF, this lease is executed as of the day and year first above written.

Billy J. Stewmon
Lessor: Billy J. Stewmon, Husband

Sara A. Stewmon
Lessor: Sara A. Stewmon, Wife

STATE OF ARKANSAS }
COUNTY OF Lee } \$ (Individual or Joint Acknowledgment—Arkansas)

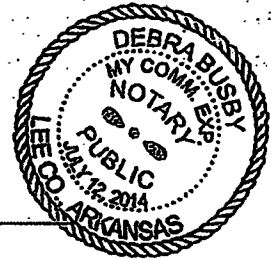
On this 19th day of Oct, 2009, before me the undersigned Notary Public in and for said County and State personally appeared Billy J. Stewmon and Sara A. Stewmon, Husband and Wife known to me to be the person(s) above whose name(s) are subscribed to the foregoing instrument and acknowledged that they executed the same as their free and voluntary act and deed for the purposes and consideration therein mentioned and set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

(STAMP/SEAL)

My Commission Expires: 7/12/14

Debra Busby
Notary Public



STATE OF _____ }
COUNTY OF _____ } \$ (Individual or Joint Acknowledgment—Arkansas)

On this _____ day of _____, 20____, before me the undersigned Notary Public in and for said County and State personally appeared _____ known to me to be the person(s) _____ whose name(s) _____ subscribed to the foregoing instrument and acknowledged that _____ executed the same as _____ free and voluntary act and deed for the purposes and consideration therein mentioned and set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

(STAMP/SEAL)

My Commission Expires: _____

Notary Public

"EXHIBIT A"

Attached to and made a part of that certain Oil and Gas Lease dated the 10th of September, 2009, by and between Billy J. Stewmon and Sara A. Stewmon, Husband and Wife, hereinafter referred to as Lessor and SEECO, Inc., as Lessee:

LEGAL DESCRIPTION:

Tract #1: Lot 28, Rainbow Island Subdivision, all in Section 4-9N-8W, containing 0.501 acres, more or less

County of Cleburne, State of Arkansas, containing in the aggregate a total of 0.501 acres, more or less.

ADDITIONAL PROVISION:

It is agreed by Lessor and Lessee that wherever the words "one-eighth (1/8)" appears same is hereby amended to read "three-sixteenth (3/16)".

SIGNED FOR IDENTIFICATION:


Billy J. Stewmon, Husband


Sara A. Stewmon, Wife

Form No. 1102

STATE OF _____ }
COUNTY OF _____ } § (Corporate Acknowledgment—Arkansas)

Before me, the undersigned, a Notary Public in and for said County and State on this _____ day of _____, 20____, personally appeared _____ to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as its _____ and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

Given my hand and seal the day and year last above written.

.(STAMP/SEAL)

My Commission Expires:

Notary Public

THIS INSTRUMENT PREPARED BY:

Stephen L. Vaughan
Schonwald Land, Inc.
9434 Cedar Lake Avenue
Oklahoma City, Oklahoma 73114
(405) 848-5185