

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

MANZIEL FAMILY OIL AND GAS	§	
PARTNERSHIP, LTD.; MANZIEL	§	
MANAGEMENT CORPORATION;	§	
BOBBY JOE MANZIEL; NOLAN	§	
EDWARD MANZIEL; NORMAN	§	
PAUL MANZIEL; MERIGALE	§	
MANZIEL PYRON; DOROTHY SUE	§	
MANZIEL FRANK; VICTORIA LYNN	§	
MANZIEL HEATH; SALEH	§	
MINERALS, L.P.; and SALEH OIL	§	
AND GAS INVESTMENTS, INC.;	§	
Plaintiffs	§	
	§	
VS.	§	CASE NO. 6:10-cv-00534
	§	
	§	JURY
	§	
CHESAPEAKE EXPLORATION,	§	
L.L.C.; CHESAPEAKE ENERGY	§	
CORPORATION; and CHESAPEAKE	§	
OPERATING, INC.;	§	
Defendants.	§	

PLAINTIFFS' ORIGINAL COMPLAINT AND JURY DEMAND

TO THE HONORABLE UNITED STATES DISTRICT JUDGE:

COME NOW, MANZIEL FAMILY OIL AND GAS PARTNERSHIP, LTD., MANZIEL MANAGEMENT CORPORATION, BOBBY JOE MANZIEL, NOLAN EDWARD MANZIEL, NORMAN PAUL MANZIEL, MERIGALE MANZIEL PYRON, DOROTHY SUE MANZIEL FRANK, VICTORIA LYNN MANZIEL HEATH, SALEH MINERALS, L.P., and SALEH OIL AND GAS INVESTMENTS, INC. (collectively the "Manziel Parties" or the "Plaintiffs"), the Plaintiffs, and complain of CHESAPEAKE EXPLORATION, L.L.C. ("Chesapeake Exploration"), CHESAPEAKE ENERGY

CORPORATION (“Chesapeake Energy”) and CHESAPEAKE OPERATING, INC. (“Chesapeake Operating”) (collectively, all three entities are referred to as “Chesapeake”), the Defendants, and for such causes of action respectfully show the Court as follows:

I.
NATURE OF THE ACTION

1. The claims and causes of action in this lawsuit arose when Chesapeake Exploration refused to honor its agreement to purchase over \$25 million in oil and gas leasehold interests owned by the Manziel Parties. Stating that “current economic conditions” prompted its breach, Chesapeake Exploration refused to honor the agreement and has continually refused to pay the Manziel Parties the amount that they are owed.

II.
PARTIES

2. Plaintiff MANZIEL FAMILY OIL AND GAS PARTNERSHIP, LTD. is a limited partnership organized under the laws of the State of Texas with its principal place of business located at 110 W. Eighth Street, Tyler, Texas 75701.

3. Plaintiff MANZIEL MANAGEMENT CORPORATION is a Texas corporation and is the general partner of Manziel Family Oil & Gas Partnership, Ltd. The principal place of business of Manziel Management Corporation is 110 W. Eighth Street, Tyler, Texas 75701.

4. Plaintiff BOBBY JOE MANZIEL is an individual residing in Tyler, Smith County, Texas, and is a citizen of the State of Texas.

5. Plaintiff NOLAN EDWARD MANZIEL is an individual residing in Tyler, Smith County, Texas, and is a citizen of the State of Texas.

6. Plaintiff NORMAN PAUL MANZIEL is an individual residing in Tyler, Smith County, Texas, and is a citizen of the State of Texas.
7. Plaintiff MERIGALE MANZIEL PYRON is an individual residing in Tyler, Smith County, Texas, and is a citizen of the State of Texas.
8. Plaintiff DOROTHY SUSAN MANZIEL FRANK is an individual residing in Houston, Harris County, Texas, and is a citizen of the State of Texas.
9. Plaintiff VICTORIA LYNN MANZIEL HEATH, is an individual residing in Dallas, Dallas County, Texas, and is a citizen of the State of Texas.
10. Plaintiff SALEH MINERALS, L.P. is a limited partnership organized under the laws of the State of Texas, with its principal place of business located at 216 Shelley Drive, Tyler, Texas 75701.
11. Plaintiff SALEH OIL AND GAS INVESTMENTS, INC. is incorporated under the laws of the State of Texas, and is the general partner of Saleh Minerals, L.P. The principal place of business of Saleh Oil and Gas Investments, Inc. is 216 Shelley Drive, Tyler, Texas 75701.
12. Defendant CHESAPEAKE EXPLORATION, L.L.C. (“Chesapeake Exploration”) is a limited liability company registered in Oklahoma with its principal place of business at 6100 North Western Avenue, Oklahoma City, Oklahoma. Summons should be served on Chesapeake Exploration, L.L.C. through its registered agent for service in Texas, CT Corporation System, 350 North St. Paul St., Ste. 2900, Dallas, Texas 75201-4234.
13. Defendant CHESAPEAKE ENERGY CORPORATION (“Chesapeake Energy”) is a publicly-traded Oklahoma corporation with in principal offices at 6100 North Western Avenue, Oklahoma City, Oklahoma. Chesapeake Energy Corporation regularly

engages in business in Texas, and specifically conducts business in the Eastern District of Texas. However, Chesapeake Energy Corporation has failed to designate a registered agent for service of process in Texas. Accordingly, pursuant to Texas Civil Practice & Remedies Code §§ 17.044(a) and 17.045, Chesapeake Energy Corporation may be served with process in this action by serving the Texas Secretary of State, P.O. Box 12079, Austin, Texas 78711-2079.

14. Defendant CHESAPEAKE OPERATING, INC. (“Chesapeake Operating”) is an Oklahoma corporation with its principal offices at 6100 North Western Avenue, Oklahoma City, Oklahoma. Summons should be served on Chesapeake Operating, Inc. through its registered agent for service in Texas, CT Corporation System, 350 North St. Paul St., Ste. 2900, Dallas, Texas 75201-4234.

III. **JURISDICTION AND VENUE**

15. This Court has original jurisdiction over this matter pursuant to 28 U.S.C. § 1332(a). The matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs. Plaintiffs are citizens of a state other than Oklahoma. For jurisdictional purposes, Chesapeake Exploration, L.L.C., Chesapeake Energy Corporation, and Chesapeake Operating, Inc. are citizens of Oklahoma.

16. Venue is proper in the Eastern District of Texas pursuant to 28 U.S.C. § 1391(a). Several of the Manziel Parties and the lands that are the subject of the action are located in the Eastern District of Texas. Specifically, the leasehold interests in dispute are located in Panola County, Texas.

IV.
BACKGROUND FACTS

17. The Plaintiffs own undivided interests in oil and gas leaseholds and gas units located in Panola County, Texas

18. On October 3, 2008, Chesapeake Exploration acting by and through Douglas Jacobson, an Executive Vice President of Acquisitions and Divestitures, agreed to purchase all the right, title and interests of the Manziel Parties in oil and gas leasehold interests and gas units located in Panola County, Texas for \$25,701,315.85. *See Exhibit A* (referred to as the “Chesapeake Exploration Agreement” or “the Agreement”). The Chesapeake Exploration Agreement was signed by Douglas Jacobson on October 3, 2008 and by the Manziel Parties on October 6, 2008. By its own terms, the Chesapeake Exploration Agreement was binding and enforceable upon execution in counterparts by the Manziel Parties which occurred on October 6, 2008. Ex. A at 3-4. The Chesapeake Exploration Agreement contained several key components.

19. First, in the Chesapeake Exploration Agreement, Chesapeake Exploration agreed to purchase all of the Manziel Parties’ right, title and interest in certain oil and gas leases included in gas units in Panola County. Ex. A at 1. Such gas unit designations, identified in the exhibits to the Agreement, were filed of public record for over 50 years. Ex. A at 5-7. Second, the Chesapeake Exploration Agreement was limited to a very specific depth. The Chesapeake Exploration Agreement sold to Chesapeake Exploration the Plaintiffs’ interest in the oil and gas leases in certain gas units below the Cotton Valley sand/top of the Bossier Shale. Ex. A at 1. The deep rights commonly contain what is known as the Haynesville Shale. Third, the Chesapeake Exploration Agreement allowed

the parties to execute in counterparts and acknowledged that, when executed, the Agreement would be made effective as of September 22, 2008. Ex. A at 1, 2. Finally, Chesapeake Exploration agreed the Manziel Parties could accept the offer by executing the Agreement prior to 5:00 PM CDT on October 10, 2008. Ex. A at 2.

20. On October 6, 2008, the Manziel Parties signed the Chesapeake Exploration Agreement. Ex. A at 3-4. Pursuant to the terms of the Chesapeake Exploration Agreement, which were drafted by Chesapeake, as of October 6, 2008, the offer was “[a]greed to and accepted.” *Id.* The fully executed documents were returned to Chesapeake on October 8, 2008 and received by Chesapeake Exploration on October 9, 2008. Also, the documents were e-mailed to Chesapeake Exploration on the 9th of October.

21. On October 7, 2008, after the Plaintiffs had signed and fully accepted the Chesapeake Exploration Agreement, Rudy Sims, an Acquisitions and Divestitures Manager for Chesapeake Energy, and, on information and belief, an employee of Chesapeake Operating, emailed R.K. Wilson, a landman who had been assisting the Manziel Parties. In this email, Rudy Sims attempted to rescind or cancel the Chesapeake Exploration Agreement due to “current economic conditions.” The purported revocation was made over two (2) weeks after the effective date of the Chesapeake Exploration Agreement which was September 22, 2008. Equally important, the attempted revocation was not sent until the day after the Agreement was deemed “accepted” by its own terms (Ex. A at 3-4); the attempted revocation was not sent to the Manziel Parties; and the attempted revocation was not sent by Douglas Jacobson, the individual who had signed

on behalf of Chesapeake Exploration, and who had the authority to make offers on behalf of Chesapeake Exploration and to bind Chesapeake Exploration to agreements.

V.
CAUSES OF ACTION

A. Breach of Contract and Specific Performance — Chesapeake Exploration

22. Paragraphs 1-21 of this Original Complaint are incorporated herein by reference as if fully set forth at length herein.

23. Chesapeake Exploration and the Manziel Parties entered into a binding, valid and enforceable contract requiring Chesapeake Exploration to purchase and the Manziel Parties to sell the oil and gas leasehold interests in Panola County, Texas. The Agreement set forth the essential terms with required sufficiency.

24. The Manziel Parties have fully and faithfully complied with all material obligations and conditions precedent under the Chesapeake Exploration Agreement. The Manziel Parties tendered performance under the Chesapeake Exploration Agreement, and were and are, ready, willing, and able to fulfill all of their obligations under the Chesapeake Exploration Agreement.

25. Chesapeake Exploration repudiated and breached the Chesapeake Exploration Agreement.

26. Because of the unique nature of the property that the Manziel Parties agreed to sell, there is no adequate remedy at law for the damages incurred by the Manziel Parties. Therefore, the Manziel Parties seek specific performance for Chesapeake Exploration to purchase the tendered leasehold interests on the terms set out in the Agreement. The Manziel Parties are ready, willing, and able to perform the remaining obligations and

requirements under the Chesapeake Exploration Agreement and have previously and consistently tendered performance.

27. In the alternative, as a direct consequence of the material breaches, Plaintiffs have suffered damages in excess of the minimum jurisdictional limits of this Court. After acceptance, the Manziel Parties removed their oil and gas leasehold interests from the market because they committed to selling their interests for the term specified in the Agreement to Chesapeake Exploration. Thereafter, the value of the interests declined. The Plaintiffs were entitled to the benefit of their bargain which was in excess of \$25 million.

28. In addition to damages, the Manziel Parties seek pre-judgment and post judgment interest, attorneys' fees and court costs as more fully described in the following paragraphs.

B. Promissory Estoppel/Partial Performance — Chesapeake Exploration

29. Paragraphs 1-28 of this Original Complaint are incorporated herein by reference as if fully set forth at length herein.

30. In the alternative, the Manziel Parties assert a claim for promissory estoppel. Chesapeake Exploration made a promise to the Manziel Parties through the Chesapeake Exploration Agreement. The promise was to buy the oil and gas leasehold interests. Chesapeake Exploration partially performed by investigating and verifying the Manziel Parties' title to the oil and gas leasehold interests and sending an executed Agreement for the Manziel Parties to accept. The Manziel Parties partially performed by supplying title information and documents.

31. The Manziel Parties reasonably and substantially relied on the promise to their detriment. Specifically, the Manziel Parties removed their oil and gas leasehold interests from the market and did not seek other buyers. Further, the Manziel Parties' reliance was foreseeable by Chesapeake, and injustice can be avoided only by enforcing Chesapeake's promise and partially performed contract. The Manziel Parties seek damages in excess of the minimum jurisdictional limits of this court as described below.

C. **Tortious Interference with a Contract — Chesapeake Energy and Chesapeake Operating**

32. Chesapeake Exploration and its agents entered into a binding, valid and enforceable contract with the Manziel Parties, with the obligation to pay the Manziel Parties for the leasehold interests. Chesapeake Exploration is not a wholly owned subsidiary of Chesapeake Energy or Chesapeake Operating. Chesapeake Energy and/or Chesapeake Operating willfully and intentionally interfered with the payment obligation and performance of Chesapeake Exploration to pay the agreed purchase price to the Manziel Parties. This tortious conduct and interference proximately caused injury and damages to the Manziel Parties. Chesapeake Energy and/or Chesapeake Operating, through their conduct, caused the Manziel Parties not to be paid the purchase price, damaging the Manziel Parties for the lost benefits of the contract.

VI.
DAMAGES

33. The Manziel Parties seek unliquidated damages against Chesapeake Exploration caused by its breach of contract and under the theory of promissory estoppel and partial performance. Plaintiffs seek actual damages due to Chesapeake Exploration's failure to honor the Chesapeake Exploration Agreement and payment obligations. Plaintiffs also seek actual damages and punitive damages against Chesapeake Energy and Chesapeake

Operating for their tortious interference with existing contracts which misconduct proximately caused damages. The damages sought exceed the minimal jurisdictional limits of the Court. Plaintiffs further seek against all Defendants, to the extent legally recoverable, pre-judgment interest, post-judgment interest, taxable costs of suit, attorneys' fees, and all nontaxable costs which the Court may grant as authorized by law and are fair and just.

VII.
ATTORNEYS' FEES

34. Pursuant to § 37.001 *et seq.* and § 38.001 *et seq.*, of the Texas Civil Practice & Remedies Code, the Manziel Parties seek recovery from Chesapeake Exploration of the Manziel Parties' reasonable attorneys' fees and costs incurred herein through any appeal.

VIII.
CONDITIONS PRECEDENT

35. All conditions precedent to the Manziel Parties claims for relief have been performed or have occurred.

IX.
JURY DEMAND

36. Plaintiffs hereby demand a trial by jury as is their right under the Seventh Amendment to the Constitution of the United States or given by statute.

X.
PRAYER

WHEREFORE, PREMISES CONSIDERED, Plaintiffs MANZIEL FAMILY OIL AND GAS PARTNERSHIP, LTD.; MANZIEL MANAGEMENT CORPORATION; BOBBY JOE MANZIEL; NOLAN EDWARD MANZIEL; NORMAN PAUL MANZIEL; MERIGALE MANZIEL PYRON; DOROTHY SUE MANZIEL FRANK; VICTORIA LYNN MANZIEL HEATH; SALEH MINERALS, L.P. and SALEH OIL

AND GAS INVESTMENTS, INC. request that the Court authorize issuance of summons for CHESAPEAKE EXPLORATION, L.L.C; CHESAPEAKE ENERGY CORPORATION; and CHESAPEAKE OPERATING, INC., and that upon final jury trial, the Court enter judgment and declare the Chesapeake Exploration Agreement enforceable, that Chesapeake Exploration breached the Chesapeake Exploration Agreement, or alternatively, that the Manziel Parties prevail under promissory estoppel or partial performance, and that Chesapeake Energy Corporation and/or Chesapeake Operating, Inc. tortiously interfered with the Chesapeake Exploration Agreement. Accordingly, Plaintiffs seek judgment against Defendants, jointly and severally, for the following:

1. specific performance against Chesapeake Exploration, L.L.C
2. alternatively, actual damages against Chesapeake Exploration, L.L.C., Chesapeake Energy Corporation, and/or Chesapeake Operating, Inc.;
3. punitive damages against Chesapeake Energy Corporation and Chesapeake Operating, Inc.;
4. pre-judgment and post judgment interest at the highest rate allowed by law;
5. court costs (both taxable and nontaxable);
6. reasonable attorneys' fees; and
7. such other and further relief, in law and in equity, to which the Plaintiffs may be justly entitled.

Respectfully submitted,

/s/ Terry W. Rhoads

Terry W. Rhoads –Attorney in Charge

State Bar No. 16811750

trhoads@cbtd.com

Susan R. Richardson

State Bar No. 18061500

srichardson@cbtd.com

Reagan L. Butts

State Bar No. 24055240

rbutts@cbtd.com

OF

COTTON, BLEDSOE, TIGHE & DAWSON

A Professional Corporation

P. O. Box 2776

Midland, Texas 79702

(432) 684-5782

(432) 682-3672 (Fax)

ATTORNEYS FOR PLAINTIFFS