

**IN THE DISTRICT COURT OF TEXAS COUNTY, STATE OF OKLAHOMA**

<b>MARVIN TAYLOR, MARGARET SHEPPARD AND ALESEN SHEPPARD</b>	)
<b>FOR THEMSELVES AND ALL OTHERS SIMILARLY SITUATED,</b>	)
<b>PLAINTIFFS,</b>	)
<b>VS.</b>	) <b>CASE NO. CJ-2002-104</b>
<b>CHEVRONTEXACO CORPORATION, TEXACO, INC.; TEXACO</b>	)
<b>EXPLORATION AND PRODUCTION, INC.; CHEVRON U.S.A., INC.,</b>	)
<b>FOR ITSELF AND AS GUARANTOR OF TEXACO EXPLORATION AND</b>	)
<b>PRODUCTION, INC.; AND FOUR STAR OIL &amp; GAS COMPANY</b>	)
<b>DEFENDANTS.</b>	)

**NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION  
AND NOTICE OF HEARING TO DETERMINE WHETHER TO APPROVE  
PROPOSED CLASS SETTLEMENT AND TO ADDRESS OTHER ISSUES**

**TO THE CLASS OF:**

All persons or entities, except Excluded Persons or Entities as defined below, who are or were royalty or unleased mineral owners in Oklahoma wells where Chevron is or was the operator and/or working interest owner/lessee under oil and gas leases, or under governmentally created or sanctioned pooling of interests by the Oklahoma Corporation Commission, including forced pooling orders, drilling and spacing unit orders, enhanced production orders, field wide unit orders or orders approving unit agreements, during the Claim Period.<sup>1</sup>

The class claims relate only to payment of royalties for Hydrocarbons produced from the Class Wells during the Claim Period, except that:

(1) the class claims shall not include any claims previously settled and released as part of the settlements in: (a) *Rudman vs. Texaco, et al.*, Case No. CJ-97-1-E, District Court of Stephens County, Oklahoma; (b) *Whitten, et al. vs. ChevronTexaco Corp. et al.*, Case No. CJ2003-586-E, District Court of Stephens County, Oklahoma; (c) *Howell, et al. v. Texaco Inc., TEPI, et al.*, CJ-2002-206E, District Court of Stephens County, Oklahoma; (d) *Elizabeth Steigleder, et al. vs. Texaco Inc., et al.*, Case No. CJ-2002-293E, District Court of Stephens County, Oklahoma; (e) *Velma-Alma Independent School District No. 15, et al. vs. Texaco Inc., et al.*, Case No. CJ-2002-304E, District Court of Stephens County, Oklahoma; (f) *E.B. Honnold, et al. v. Texaco Inc., et al.*, Case No. CJ-2002-355, District Court of Garvin County, Oklahoma; (g) *Mahaffey, et al., v. Knox Bromide Sand Unit, et al.*, Case No. CJ-2004-581-E, District Court of Stephens County, Oklahoma; or (h) *Shockey v. Chevron*, Case No. CJ-2001-7, District Court of Washita County, Oklahoma; (collectively the “Prior Litigation”);

(2) the Class Claims shall not include any claims of putative class members in the Prior Litigation who excluded themselves from the Prior Litigation, but only to the extent the claims were related to gas processing;

(3) the class claims shall not include claims being asserted against Chevron for gas production processed at the Leedey plant in the case of *Edward Glaesman, et al. v. Chevron U.S.A., Inc.*, in the District Court of Roger Mills County, No. CJ-2006-27 (“*Glaesman*”).

The persons or entities wholly excluded from the Class are: (1) agencies, departments or instrumentalities of the United States of America or the State of Oklahoma; (2) publicly traded oil and gas exploration companies who operate wells, and their affiliates; (3) royalty owners whose sole claims relate to wells,

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<sup>1</sup> Capitalized terms in this Notice have the same meaning as in the Settlement Agreement described herein.

and during those periods, where Chevron was a non-operating working interest owner and did not through itself or a related entity market its production or pay royalty; (4) persons or entities that Plaintiffs' counsel is, or may be prohibited from representing under Rule 1.7 of the Oklahoma Rules of Professional Conduct; (5) the officers and directors of Chevron, and any entity in which Chevron has a controlling interest, including any entity which is a parent, subsidiary, or affiliate of or is controlled by Chevron; and (6) the legal representatives, heirs, successors, or assigns of any excluded party (collectively "Excluded Persons or Entities").

This notice is given pursuant to the Order of the District Court of Texas County, Oklahoma (the "Court"), pursuant to Okla. Stat. tit. 12, § 2023. The purpose of this Notice is to advise you:

- (a) This lawsuit has been preliminarily certified for settlement as a class action by the Court.
- (b) Class Representatives and Chevron (including Chevron's Affiliated and Predecessor Entities), have entered into a Settlement Agreement which shall become effective, if at all, upon a Court Order approving the settlement becoming Final and Unappealable. Subject to the terms of the Settlement Agreement, Chevron shall pay the Plaintiff Class \$12,000,000.00 to resolve the Class Claims asserted in the Class Action Litigation.
- (c) The Court will conduct a hearing to determine whether to approve the Settlement Agreement between Plaintiffs and Chevron (the "Settlement Fairness Hearing").
- (d) As a putative Class Member you have the right to exclude yourself from the Class or object to the proposed Class Settlement and/or Class Counsel's requested fees and litigation expenses.

**IT IS IMPORTANT THAT YOU READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS WILL BE AFFECTED BY THE LEGAL PROCEEDINGS IN THIS LAWSUIT.**

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

This Class Action Litigation was filed on October 18, 2002. The Plaintiffs have asserted that Chevron underpaid royalties by wrongfully deducting, and in some instances paid or retained unto itself, a fee for gathering, compressing, dehydrating, field fuel, treating, transporting and/or marketing Chevron's gas on wells in Oklahoma operated by Chevron, or in which Chevron owns or owned a working interest (the "Chevron Wells"). The fees allegedly charged and/or deducted by Chevron for gathering, compression, dehydration, fuel, treating, transporting, marketing and similar services are hereinafter referred to as the "GCDF and Marketing Fees." The Plaintiffs have also asserted that the deduction of the GCDF and Marketing Fees have resulted from, and constitute, breach of contract, fraud (both actual and constructive), conspiracy, fraudulent misrepresentation, breach of fiduciary duty, breach of express and implied duties of oil and gas leases, pooling orders and spacing orders, deceit, breach of statutory duty and fraudulent concealment, all as more fully described in the First Amended Petition and collectively referred to as the "Class Claims". The Class Claims relate only to payment of royalties for Hydrocarbons produced from the Class Wells during the Claim Period, except that:

- (1) the Class Claims shall not include any claims previously settled and released as part of the settlements in: (a) *Rudman vs. Texaco, et al.*, Case No. CJ-97-1-E, District Court of Stephens County, Oklahoma; (b) *Whitten, et al. vs. ChevronTexaco Corp. et al.*, Case No. CJ2003-586-E, District Court of Stephens County, Oklahoma; (c) *Howell, et al. v. Texaco Inc., TEPI, et al.*, CJ-2002-206E, District Court of Stephens County, Oklahoma; (d) *Elizabeth Steigleder, et al. vs. Texaco Inc., et al.*, Case No. CJ-2002-293E, District Court of Stephens County, Oklahoma; (e) *Velma-Alma Independent School District No. 15, et al. vs. Texaco Inc., et al.*, Case No. CJ-2002-304E, District Court of Stephens County, Oklahoma; (f) *E.B. Honnold, et al. v. Texaco Inc., et al.*, Case No. CJ-2002-355, District Court of Garvin County, Oklahoma; (g) *Mahaffey, et al., v. Knox Bromide Sand Unit, et al.*, Case No. CJ-2004-581-E, District Court of Stephens County, Oklahoma; or (h) *Shockey v. Chevron*, Case No. CJ-2001-7, District Court of Washita County, Oklahoma; (collectively the "Prior Litigation");

(2) the Class Claims shall not include any claims of putative class members in the Prior Litigation who excluded themselves from the Prior Litigation, but only to the extent the claims were related to gas processing;

(3) the Class Claims shall not include claims being asserted against Chevron for gas production processed at the Leedey plant in the case of *Edward Glaesman, et al. v. Chevron U.S.A., Inc.*, in the District Court of Roger Mills County, No. CJ-2006-27 (“Glaesman”);

(4) the Class Claims shall not include Royalty Payments in the Ordinary Course of Business for production months prior to the Release date for which payment has not been paid to that royalty owner as of the Release Date;

(5) the Class Claims shall not include claims that Chevron is obligated to make routine prior period adjustments for clerical or administrative errors concerning prices actually received, volumes actually sold or produced, or decimal interest of the type that historically have been addressed by Chevron by way of prior-period adjustments, but only to the extent that Chevron in fact has made, received, or receives in the future a retroactive price, volume or value adjustment;

(6) the Class Claims shall not include claims to money held in suspense by Chevron as of the Release Date (but does include claims relating to monies at one time held in suspense but no longer being held in suspense as of the Release Date); or

(7) the Class Claims shall not include claims that Chevron failed to comply with obligations to protect the Class Members from drainage or claims that Chevron breached obligations to the Class Members to develop Oklahoma oil and gas leases.

Chevron continues to deny all of Plaintiffs’ allegations of liability and damages and asserts various defenses to the Class Claims. If the settlement with Chevron is approved, the Class Action Litigation will be dismissed with prejudice to its refile and all Released Claims will be released by the Class Members.

By giving this notice, the Court is not expressing any opinion regarding the merits of either the Plaintiff Class’ or Chevron’s claims or defenses. Nothing contained in this notice should be construed as suggesting the Court’s view as to which side might prevail should this matter proceed to trial.

## **II. CLASS CERTIFICATION**

The Court entered an Order titled “Order on Joint Motion for Certification of Settlement Class” granting a motion for preliminary class certification, for settlement purposes only, pursuant to Okla. Stat. tit. 12, § 2023 (A) and (B)(3). Within ten business days following receipt by Chevron’s counsel of the order executed by the Settlement Judge preliminarily approving this settlement, Chevron was required to deposit the Settlement Payment (\$12,000,000.00) into a Court administered Settlement Distribution Account.

In the Certification Order, the Court defined the Class as described above and designated Marvin Taylor, Margaret Sheppard and Alesen Sheppard, as Representatives of the Plaintiff Class (“Class Representatives”) and appointed: 1) Terry J. Barker, Joseph C. Woltz and Gene G. Boerner, III of Pezold, Barker & Woltz, 401 South Boston, Suite 3400, Tulsa, OK 74103-4017 (Phone 918-584-0506); 2) Douglas E. Burns and Terry L. Stowers of Burns & Stowers, P.C., 1300 W. Lindsey, Norman, OK 73069 (Phone 405-360-6191); and 3) Robert J. Kee of Trippet, Kee, Trippet & Parsons, P.O. Box 728, Beaver, OK 73932 (Phone 580- 625-4597), as Class Counsel.

## **III. TIME PERIOD FOR THE CLASS CLAIMS**

The Class Claims Period is from January 1, 1985 through midnight on the date the Settlement Judge enters the Judgment.

#### **IV. THE PROPOSED CLASS SETTLEMENT**

After extensive discovery and a thorough analysis of all claims and defenses, and after extensive mediation and settlement negotiations, the Class Representatives and Chevron have agreed to settle the Class Claims against Chevron, including any claims associated Chevron's Affiliates and Predecessor Entities, and all of their past and present directors, officers, employees, attorneys, agents, stockholders, representatives, predecessors heirs, successors and assigns, on the terms described below, subject to final approval by the Court. The Court has preliminarily approved the settlement for the purpose of giving this notice and setting a Settlement Fairness Hearing.

The basic terms of the Settlement Agreement between the Plaintiff Class and Chevron which the Court is being asked to approve are as follows:

1. Subject to the terms and conditions of the Settlement Agreement, Chevron will pay the sum of \$12,000,000.00 ("Settlement Payment") to the Plaintiff Class, as a full, complete and final settlement of all Released Claims, as that term is specifically defined in the Settlement Agreement, or such lesser amount as is provided under the Settlement Agreement to account for putative Class Members who opt out. Chevron shall not be liable to the Plaintiff Class, the Class Representatives or Class Counsel for any other costs, expenses or fees, except that Chevron has agreed to pay the costs of this notice and shall make distribution of the Settlement Proceeds (or cause a third party to do so), pursuant to Court supervision, at Chevron's expense, unless extraordinary distribution expenses are incurred.
2. Chevron and the Class Representatives agree that the Settlement Proceeds shall be for the benefit of the Plaintiff Class, subject only to the claims of Class Counsel for attorneys' fees, a class representatives' award and litigation expenses, and subject to a proportionate reduction in the Settlement Proceeds in the event there are excessive opt outs from the Class.
3. As of the date the Settlement Proceeds are delivered into the Settlement Distribution Account, the Plaintiff Class and Class Representatives shall be deemed to have released the Chevron and Chevron's Counsel for any claims brought by any Class Representative or individual member of the Plaintiff Class in regard to administration, determination, calculation or payment of claims or the investment or distribution of the Settlement Proceeds, so long as Chevron complies with further orders of the Court concerning the distribution of the Settlement Proceeds.
4. Ultimate allocation and distribution of the Settlement Proceeds to members of the Plaintiff Class, the Class Representatives and/or Class Counsel shall be in accordance with the Plan of Allocation and Distribution attached to the Settlement Agreement and approved by the Court.
5. Upon the date that a Court Order approving the settlement between Chevron and the Plaintiff Class, and specifically approving the terms of the Settlement Agreement, becomes final and unappealable and upon Chevron depositing the Settlement Proceeds into the Settlement Distribution Account, the Plaintiff Class, the Class Representatives and Class Counsel shall be deemed to have, and by operation of the Court Order approving the settlement shall have, fully, finally and forever released, relinquished and discharged the Released Parties, as that term is specifically defined in the Settlement Agreement, for the Released Claims during the Claims Period. Generally, the Released Parties are Chevron and Chevron's Affiliates and Predecessor Entities.
6. Further, upon the date that a Court Order approving the settlement between Chevron and the Plaintiff Class, and specifically approving the terms of the Settlement Agreement, becomes final and unappealable and upon Chevron depositing the Settlement Amount into the Settlement Distribution Account, the Plaintiff Class and the Class Representatives, and their heirs, successors, assigns, agents and/or representatives shall be barred from asserting any and all claims related to the Released Claims during the Claims Period (as those terms are specifically defined in the Settlement Agreement) against the Released Parties, and such Plaintiff Class and Class

Representatives, and their heirs, successors, assigns, agents and/or representatives shall be conclusively deemed to have released any and all such Released Claims against the Released Parties.

7. Chevron repeatedly has asserted and continues to assert many defenses to the Plaintiff Class' and Class Representatives' claims and contentions. Chevron expressly asserts its defenses have merit and that they have no liability to the Plaintiff Class or the Class Representatives.

#### **V. LITIGATION COSTS AND DISTRIBUTION OF NET PROCEEDS TO CLASS MEMBERS**

Class Counsel has requested that the Court: 1) award Class Counsel an attorney's fee of 40% of the Settlement Proceeds; 2) award the Class Representatives a fee of 1% of the Settlement Proceeds; and 3) reimburse Class Counsel for expert and consulting fees and litigation expenses in an amount not to exceed 5% of the Settlement Distribution Account, with any un-reimbursed amounts to be absorbed by Class Counsel's fee. If the Court approves this request, said amounts will be deducted before distribution to the Class.

Generally, the allocation of the Net Settlement Proceeds shall be proportionately allocated to the various Class Claims quantified by Class Counsel and Class Representatives based on data provided by Chevron and/or obtained from third party sources. The Net Settlement Proceeds allocated to each of the quantified Class Claims will then be allocated to each Class Member proportionately based upon the actual deductions made from the Class Member's royalties and/or the Class Member's Royalty Owner Allocation Volume, which is the Class Member's volume of production from a Chevron Well during the Claim Period, excluding volumes of gas produced from the Chevron Wells to the extent included in the Prior Litigation. Class Counsel estimate that the Net Settlement Proceeds will represent a recovery to the Class Members of over 100% of the GCDF and Marketing Fees deducted by Chevron from the Class Members' royalties during the Claim Period.

#### **VI. CLASS SETTLEMENT FAIRNESS HEARING**

**The Settlement Fairness Hearing will be held on December 22, 2009 at 9:30 a.m., before the Honorable Gerald Riffe in the Texas County Courthouse, Guymon, Oklahoma.**

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

##### **A. You Can Approve the Proposed Class Settlement with Chevron by Doing Nothing.**

By taking no action, or by taking any action other than: 1) opting out of the Class or 2) objecting to the approval of the settlement with Chevron, as set forth below, your interests will be represented by the Class Representatives and Class Counsel. As a Class Member who has not requested exclusion from the Class you will be bound by the outcome of the proposed Settlement with Chevron, if approved by the Court, and by the Judgment and Order Approving Class Action Settlement that is to be entered under the Settlement Agreement. You are advised that the Class Representatives and Class Counsel believe that the proposed Settlement with Chevron is in the best interest of the Class, and, therefore, they intend to support the proposed Settlement at the Settlement Fairness Hearing. Any Class Member who does not request exclusion may, if he desires, enter an appearance through his counsel.

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

If you do not wish to be a member of the Settlement Class, then you may opt out of the Class as long as you do so in writing postmarked or delivered to: **Terry L. Stowers, Burns & Stowers, P.C., 1300 W. Lindsay, Norman OK 73069** **on or before November 30, 2009**. If you do not opt out by that time in writing, you will remain a member of the Settlement Class and be bound by any rulings, decisions or judgment affecting the Class. If you wish to opt out of the Class, your letter to Mr. Stowers generally must include the following form and content:

I do not want to be a member of the Settlement Class in *Taylor vs. Chevron*, Case No CJ-2002-104, District Court of Texas County, Oklahoma. I understand it will be my responsibility to pursue any claims I may have, if I so desire, on my own and at my expense.

The letter must be signed by you, include your full name, address, telephone number, Social Security Number or Federal Tax Identification Numbers, and be acknowledged by a Notary Public.

**C. You May Remain a Member of the Settlement Class, but Object to the Proposed Class Settlement or to Class Counsel's Request for Attorney's Fees, Class Representatives' Award, Expert and Consulting Expenses and other Litigation Expenses.**

You have the right to remain a member of the Settlement Class, but still object to the proposed settlement with Chevron and/or the requested fees and expenses as set forth above. **Persons who desire to object to the Settlement or the fees and expenses must file a written statement with the Court Clerk of Texas County, 319 N. Main Street, P.O. Box 551, Guymon, OK 73942 and provide a copy of same to Terry L. Stowers, Burns & Stowers, P.C., 1300 W. Lindsay, Norman OK 73069 and to Chevron's counsel, Richard B. Noulles, Gable & Gotwals, 1100 ONEOK Plaza, 100 W. 5th Street, Tulsa, Ok 74103-4217.** Your objection must be filed with the Court **on or before November 30, 2009.** The written statement must contain:

- (1) A heading referring to Case No. CJ-2002-104 and to the District Court of Texas County, Oklahoma;
- (2) A statement as to whether the objector intends to appear at the Settlement Fairness Hearing, either in person or through counsel, and, if through counsel, identifying counsel by name, address and telephone number;
- (3) A detailed statement of the specific legal and factual basis for each and every objection;
- (4) A list of any witnesses the objector may call at the Settlement Fairness Hearing, together with a brief summary of each witness's expected testimony;
- (5) A list of and copies of any exhibits which the objector may seek to use at the Settlement Fairness Hearing;
- (6) A list of any legal authority the objector may present at the Settlement Fairness Hearing;
- (7) The objector's current address;
- (8) The objector's current telephone number; and
- (9) The objector's signature executed before a Notary Public.

Any Class Member that fails to timely file such written statement and provide the required information will not be permitted to present any objections at the Settlement Fairness Hearing. The Court will consider all valid written objections submitted, but may summarily overrule said objections if the objecting party does not appear and present his objection at the Settlement Fairness Hearing. An objector who fails to strictly follow the procedure for objecting to the settlement, or fee and expense request, as set forth above, shall not be permitted to raise or pursue an objection at the Settlement Fairness Hearing, and such failure shall constitute waiver of any objection to the Settlement Agreement..

**D. You May Retain your own Attorney to Represent you at the Settlement Fairness Hearing.**

Subject to the conditions set forth in subparagraph C, you have the right to retain your own attorney to represent you at the Settlement Fairness Hearing. If you retain separate counsel, you will be responsible for his fees and expenses out of your own pocket.

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

If the Court does not enter an Order approving the settlement between Chevron and the Plaintiff Class, or if the Court enters an Order approving the settlement between Chevron and the Plaintiff Class and appellate review of said Order is sought and upon such review such approval of the settlement between Chevron and the Plaintiff Class is reversed, or is modified so as to materially change the terms of the settlement, then the settlement between Chevron and the Plaintiff Class shall become null and void.

If the settlement between Chevron and the Plaintiff Class becomes null and void, the case will proceed as though the Settlement Agreement was not entered into.

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

This Notice contains only a summary of the Class Action Litigation and the proposed Settlement Agreement. For more detailed information regarding the Class Action Litigation, you are referred to the pleadings and orders in the Court file, which may be inspected during regular business hours at the Office of the Court Clerk, Texas County Courthouse, Guymon, Oklahoma. You may obtain a copy of the Settlement Agreement, and related documents, by logging onto [www.taylorvschevronsettlement.com](http://www.taylorvschevronsettlement.com) and/or by contacting Class Counsel at the telephone numbers and addresses listed in Part II of this Notice.

If you believe that you are a member of this Settlement Class, but did not receive a copy of this Notice by mail, you should contact Class Counsel concerning your putative claim. If you wish to communicate with or address questions to Class Counsel, you may contact them at the above-listed telephone numbers and addresses. You may, of course, seek the advice and guidance of your own attorney (solely at your own expense) if you desire.

**PLEASE DO NOT TELEPHONE THE COURT OR THE COURT CLERK'S OFFICE FOR INFORMATION. SIMILARLY, DO NOT CONTACT CHEVRON OR COUNSEL FOR CHEVRON.**

By Order of the District Court of Texas County, State of Oklahoma.

Dated: September 29, 2009

Gerald Riffe  
Associate District Judge