

STATE OF WYOMING)
) SS
COUNTY OF LINCOLN)

IN THE DISTRICT COURT
THIRD JUDICIAL DISTRICT

LARRY MADSEN AS SPECIAL TRUSTEE
OF THE H. M. KLAENHAMMER
REVOCABLE TRUST DATED MAY 9, 1996,
SUCCESSOR TO H. M. KLAENHAMMER, AND
ROBERT W. SCOTT, INDIVIDUALLY AND
AS MANAGING MEMBER OF R.W. SCOTT
INVESTMENTS, LLC, SUING ON BEHALF OF
THEMSELVES AND ALL OTHER SIMILARLY SITUATED
ROYALTY OWNERS,

PLAINTIFFS,

vs.

CROSS TIMBERS OPERATING
COMPANY, A FOREIGN CORPORATION,

DEFENDANT.

Civil Action No. 10,718



**ORDER ON FINAL HEARING, FINAL CERTIFICATION OF CROSS TIMBERS SETTLEMENT CLASS,
FINAL APPROVAL OF CROSS TIMBERS CLASS SETTLEMENT,
MONEY JUDGMENT AGAINST CROSS TIMBERS, AND INJUNCTION AGAINST CROSS TIMBERS**

Pursuant to the Court's *Order on Preliminary Hearing* and the *Notice Of Pendency Of The Class Action Proposed Settlement And Hearing* ("Notice") sent to each potential class member, a final hearing on the reasonableness and fairness of the proposed settlement was held on June 4, in Rock Springs, Wyoming. As required by the *Order on Plaintiffs' Motion for Preliminary Hearing and Provisional Certification of the Cross Timbers Settlement Class*, Class

Counsel filed with the Court a *Report on Status of Class Notice Pursuant to Wyo.R.Civ.P. 23(c)(2)* ("*Class Counsel's Report*"). *Class Counsel's Report* confirms (1) no objections were filed to the Class Settlement and (2) 245 potential class members remained as Settlement Class Members. At the hearing, Nick Murdock, Scott J. Olheiser, Mark L. Carman, Robert P. Schuster and Charles Carpenter represented the Plaintiffs and appeared as Class Counsel. Tom Reese represented and appeared on behalf of Cross Timbers Operating Company ("*Cross Timbers*").

The Court, having reviewed (1) *Class Counsel's Report on Status of Class Notice Pursuant to Wyo. R. Civ. P 23(c)(2)*; (2) *Class Counsel's Motion for Order on Final Hearing, Final Certification of Cross Timbers Settlement Class, Final Approval of Cross Timbers Class Settlement, Money Judgment Against Cross Timbers, and Injunction Against Cross Timbers*; (3) *Special Master's Recommendations and Report Concerning Request for Court's Order on Final Hearing, Final Certification of Cross Timbers Settlement Class, Final Approval of Cross Timbers Class Settlement, Money Judgment Against Cross Timbers, and Injunction Against Cross Timbers*; and materials filed in the matter and being otherwise advised in the premises FINDS and ORDERS as follows:

THE COURT HEREBY FINDS AND ORDERS AS FOLLOWS:

1. This suit involves claims brought under Wyoming Royalty Payment Act, Wyo. Stat. §§ 30-5-301, et seq. ("*Wyoming Royalty Payment Act*") for allegedly improper deductions taken from royalties paid by Cross Timbers for the wells identified in Exhibit A ("*Cross Timbers Wells*") and the alleged improper reporting of royalties paid for production from the Cross Timbers Wells.
2. The Court has jurisdiction over this suit and the Settlement Class and venue is proper.
3. The Special Master has properly exercised his authority and carried out his duties under

the Court's *Order Appointing Master* dated August 29, 2000.

4. The Special Master submitted a Report and Recommendation. The Court has reviewed the Report and Recommendation and adopts the findings contained therein.
5. Plaintiffs and Cross Timbers reached a proposed settlement on behalf of Plaintiffs and other similarly situated royalty payees. The terms of this proposed settlement are set forth in the Settlement Agreement ("Agreement") that is found in the Plaintiffs' Motion for Preliminary Hearing and as further set forth in the notice sent to potential Settlement Class Members as provided in the Court's *Order on Preliminary Hearing* ("Notice").
6. *Class Counsel's Report* establishes that Notice was sent to all potential members of the Settlement Class.
7. *Class Counsel's Report* establishes that no potential member of the Settlement Class objected to the proposed settlement.
8. The Court should certify as members of the Settlement Class those royalty payees as set forth in Exhibit B to this Order (such royalty payees comprising the "Settlement Class Members").
9. The Plaintiffs are appropriate representatives of the Settlement Class Members and those representatives of the Class have and will fairly and adequately represent the interest of the Settlement Class Members.
10. Plaintiffs, on behalf of themselves and the proposed Settlement Class, have requested that this Court approve the Agreement between Cross Timbers and the Plaintiffs as more specifically set forth in the Notice.
11. The proposed settlement as set forth in the Agreement was made in good faith.
12. The proposed settlement as set forth in the Agreement constitutes a fair, adequate and

reasonable settlement of all claims and other matters covered by the Agreement.

13. Reasonable and adequate notice of the certification of the Settlement Class and the settlement of claims of Settlement Class Members was given through mailing of the Notice as approved in the Court's *Order on Preliminary Hearing*.
14. The mailing of the Notice as required by the Court's *Order on Preliminary Hearing* was given to the Settlement Class Members.
15. Plaintiffs' claims pled against Cross Timbers are based upon violations of the *Wyoming Royalty Payment Act*.
16. The claims of Settlement Class Members to be resolved as part of the Class Settlement are the settled claims as that term is defined in the Agreement ("Settled Claims").
17. Settlement Class Members' claims arise from the same nucleus of operative facts and form part of the same case or controversy as alleged against Cross Timbers in Plaintiffs' First Amended Complaint.
18. Since March 1, 2001, Cross Timbers has refrained from the taking of Disallowed Deductions as that term is defined in the Agreement.
19. Cross Timbers should be enjoined from taking of Disallowed Deductions from royalties payable to the Settlement Class Members as defined in the Agreement until otherwise permitted under the terms of the Agreement.
20. Cross Timbers has escrowed with the Hilltop National Bank of Casper, N.A. the sum of Five Hundred Seventy-two Thousand Twenty-five Dollars (\$572,025.00) ("Escrow Account") to pay sums that may become due for payment of Plaintiffs' claims, Settlement Class Members' claims and Class Counsel's fees and costs.
21. Before distribution of any interest to be paid by Hilltop National Bank of Casper, N.A. on

the Escrow Account ("Escrow Interest"), the aggregate amount to be paid by Cross Timbers to Plaintiffs and Settlement Class Members is and shall be Three Hundred Seventy-six Thousand Four Hundred Fifty-Six Dollars and seventeen cents (\$376,456.17) ("Settlement Amount"), which aggregate sum shall be paid to Class Members as set forth in Exhibit C to this Order. All Escrow Interest shall be paid to the Class Members in proportion to the amount due them in Exhibit C. Class Counsel shall receive no interest.

22. The reasonable fees and costs of Class Counsel are and shall be One Hundred Ninety-three Thousand Five Hundred Sixty-eight and eighty-three cents (\$193,568.83) ("Permissible Class Counsel Fees").
23. The reasonable fees and costs of the Class Representatives shall be Two Thousand Dollars (\$2,000) ("Permissible Representative Fees and Costs").
24. In addition to the interest paid on the Escrow Account, Cross Timbers and the Plaintiffs shall release from the Escrow Account the sum of Five Hundred Seventy-two Thousand Twenty-five Dollars ("Total Payment") to be distributed to Plaintiffs, Settlement Class Members, Class Representatives and Class Counsel as provided in the Settlement Agreement for those distributions required under Paragraphs 21, 22 and 23 of this Order. No funds will remain in the Escrow Account after release of the Total Payment and the balance of the Escrow Account is returned to Cross Timbers.
25. For gas produced from Cross Timbers Wells through December 31, 2000, the Plaintiffs' claims and Settlement Class Members' claims for Settled Claims against Cross Timbers and Cross Timbers' parent, subsidiaries, affiliates, divisions, officers, directors, shareholders, employees, agents and attorneys should be released, acquitted and forever discharged as provided in the Settlement Agreement.

26. The Settlement Class Members are so numerous that joinder is impractical.
27. There are questions of law and fact common to the Settlement Class Members and Plaintiffs.
28. The questions of law and fact common to the Settlement Class Members predominate over any questions affecting only individual members, and a settlement of Settlement Class Members' claims by a class action under W.R.Civ.P. 23 is superior to other available methods for the fair and effective settlement and adjudication of the controversy.
29. Plaintiffs' claims are typical of the Settlement Class Members' claims.
30. Settlement Class Members have no special interest in individually controlling the prosecution of separate actions.
31. Class Counsel is experienced and fully qualified.
32. Plaintiffs will fairly and adequately protect the interests of Settlement Class Members.
33. No significant difficulties are likely to be encountered in the management of the action as a class action for settlement purposes.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

- A. The Court has jurisdiction to adjudicate the Plaintiffs' claims and the Settlement Class Members' claims as a settlement class under Wyo.R.Civ.P. 23.
- B. The class of Settlement Class Members is certified as a class for purposes of settlement only under Wyo.R.Civ.P. 23 and shall proceed with settlement as provided in this Order.
- C. The settlement of the Plaintiffs' claims and Settlement Class Members' claims for

Settled Claims is fair, equitable and reasonable and shall proceed as provided in the Agreement.

- D. Cross Timbers and the Plaintiffs shall forthwith have the Total Payment released from the escrow account.
- E. The Settlement Amount shall be paid to Plaintiffs and Settlement Class Members as set forth in Exhibit C to this Order and payment shall be by individual checks prepared and sent by Hilltop National Bank of Casper, N.A. as provided in the Agreement.
- F. The Permissible Class Counsel Fees shall be paid to Class Counsel as provided above in the findings of this Order.
- G. The Permissible Representative Fees and Costs shall be paid to Class Counsel as provided above in the findings of this Order.
- H. Within thirty (30) days after the 210th day after the distribution, any amounts attributable to checks sent to Settlement Class Members that are not negotiated shall be paid to the State of Wyoming pursuant to the *Wyoming Uniform Unclaimed Property Act*, Wyo. Stat. §§ 34-24-101, *et seq.*
- I. Cross Timbers is enjoined from the taking of further Disallowed Deductions except as otherwise provided in the Settlement Agreement and Notice.
- J. As to royalties paid by Cross Timbers for gas produced from Cross Timbers Wells through December 31, 2000, Plaintiffs' claims and Settlement Class Members' claims against Cross Timbers for violations of the *Wyoming Royalty Payment Act* arising from (i) Past Disputed Deductions, (ii) Statutory Interest, (iii) Statutory Reporting Assessments, (iv) Settlement Class' Additional Claims and (v) Attorney's Fees as

those terms are defined in the Agreement are hereby ordered released and compromised.

- K. As to royalties paid by Cross Timbers for gas produced from Cross Timbers Wells through December 31, 2000, Plaintiffs' claims and Settlement Class Members' claims against Cross Timbers' parent, subsidiaries, affiliates, divisions, officers, directors, shareholders, employees, agents and attorneys for violations of the *Wyoming Royalty Payment Act* arising from (i) Past Disputed Deductions, (ii) Statutory Interest, (iii) Statutory Reporting Assessments, (iv) Settlements Class' Additional Claims and (v) Attorney's Fees as those terms are defined in the Agreement are hereby ordered released and compromised but only to the extent that Cross Timbers sold and paid royalties for gas from Cross Timbers Wells for and on behalf of such entities prior to December 31, 2000.
- L. Except as necessary to enforce this Order, Plaintiffs and Settlement Class Members are barred from bringing claims against Cross Timbers for claims released and compromised in Paragraphs I, J and K of this Order and further barred from bringing claims based upon those matters set forth in Paragraph II. G of the Agreement, generally involving any claims for (i) the deduction of those services or costs expressly excluded from Disallowed Deductions and Non-Deductible Services as defined in the Settlement Agreement, (ii) the adequacy of the format used for reporting royalties under the *Wyoming Royalty Payment Act* provided Cross Timbers utilizes that format to be approved by the Court as provided for in the Settlement agreement, (iii) the use of weighted average sales price methodology in paying royalties for gas from Cross Timbers Wells in the Fontenelle field or (iv) alleged

reduction in royalties arising from allegedly implied gathering charges resulting from the pricing provisions in the FMC Contracts.

- M. Except as necessary to enforce this Order, but only to the extent Cross Timbers sold and paid royalties for gas produced from Cross Timbers Wells before December 31, 2000 on behalf of Cross Timbers' parent, subsidiaries, affiliates, divisions, officers, directors, shareholders, employees, agents and attorneys, the heirs, successors, assigns, trustees, executors, administrators and agents of Plaintiffs and Settlement Class Members are barred from bringing claims against Cross Timbers for claims released and compromised in Paragraphs I, J and K of this Order and other claims based upon those matters set forth in Paragraph II. G of the Agreement, generally involving any claims for (i) the deduction of those services or costs expressly excluded from Disallowed Deductions and Non-Deductible Services as defined in the Settlement Agreement, (ii) the adequacy of the format used for reporting royalties under the *Wyoming Royalty Payment Act* provided Cross Timbers utilizes that format required to be approved by the Court as provided for in the settlement agreement, (iii) the use of weighted average sales price methodology in paying royalties for gas from Cross Timbers Wells in the Fontenelle field or (iv) alleged reduction in royalties arising from allegedly implied gathering charges resulting from the pricing provisions in the FMC Contracts.
- N. The Court shall retain jurisdiction to enforce the prospective obligations of Cross Timbers, Plaintiffs and the Settlement Class Members, respectively, under the Settlement Agreement and this Order.
- O. The Court or the Master shall also retain jurisdiction to adjudicate disputes arising

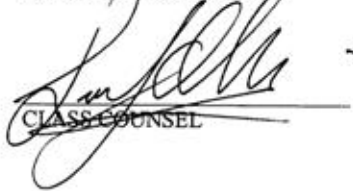
from any changes in the reporting to be done by Cross Timbers pursuant to this Order.

- P. The Court approves the proposed form of reporting and the protocol for reporting which shall provide for Cross Timbers reporting dehydration on an annual basis so that Class Members may use such amounts for income tax purposes but as Cross Timbers shall take no further Disallowed Deductions, Cross Timbers present form of reporting will be deemed to conform to the *Wyoming Royalty Payment Act* as long as Disallowed Deductions are not taken and Cross Timbers otherwise continues to comply with the reporting requirements of the *Wyoming Royalty Payment Act*.
- Q. Upon Cross Timbers' performance of the payment obligations contained in this Order, Class Counsel shall enter an entry of satisfaction of money judgement.

EXECUTED this 11th day of June, 2001.


DISTRICT JUDGE

APPROVED AS TO FORM


CLASS COUNSEL


CROSS TIMBERS COUNSEL

STATE OF WYOMING }
COUNTY OF LINCOLN } SS.

I, Kenneth D. Roberts, Clerk of the Third Judicial District Court within and foresaid county and in the State of foresaid do hereby certify the foregoing to be a full, true, and complete copy.

SIGNED
