

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF PENNSYLVANIA

ANGELO R. RESCIGNO, SR., AS EXECUTOR)
OF THE ESTATE OF CHERYL B. CANFIELD,)

Plaintiff,)

Case No. 3:16-cv-00085-MEM

vs.)

STATOIL USA ONSHORE PROPERTIES)
INC., STATOIL NATURAL GAS LLC and)
STATOIL ASA,)

Defendants.)

NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION

There is a proposed Settlement of a class action brought
against Statoil on behalf of certain royalty owners.

You may be able to obtain benefits.

A court authorized this Notice. This is NOT a solicitation from a lawyer.

A proposed Settlement has been reached in a lawsuit against Statoil USA Onshore Properties Inc. (“Statoil”).¹ The lawsuit alleges that Statoil engaged in the underpayment of royalty payments on the production of natural gas in Pennsylvania. Statoil denies these allegations and intends to oppose such allegations in the absence of this Settlement. Statoil enters into this Settlement in an effort to further its relationship with its lessors and resolve the claims alleged.

You are a member of the Class if you fall within the Class definition described under Question 4, below.

A SUMMARY OF YOUR RIGHTS AND CHOICES	
REMAIN A CLASS MEMBER	To remain a member of the Class, you do not need to take any action. Class Members will be able to get money from the proposed Settlement as outlined in Question 6. Due Date: <u>Automatic Distribution</u>
EXCLUDE YOURSELF FROM THE PROPOSED SETTLEMENT	You can exclude yourself from (opt out of) the proposed Settlement and not be bound by the Court’s rulings. You will also not share in the distribution of monetary relief. <i>See</i> Questions 9 and 10. Due Date: <u>Postmarked on or before October 9, 2020</u>
OBJECT OR COMMENT ON THE PROPOSED SETTLEMENT	If you are a Class Member, you can appear and object to or comment on the proposed Settlement on your own or through your own lawyer. <i>See</i> Questions 15 and 18. Due Date: <u>Received on or before October 9, 2020</u>

1. Why did I receive this Notice?

Records show that you (or someone in your family) have received, currently receive, or potentially will receive royalty payments from Statoil from wells in Northern Pennsylvania.

The Court sent you this Notice to inform you of a proposed Settlement of a class action lawsuit styled *Rescigno v. Statoil USA Onshore Properties Inc., et al.*, Case No. 3:16-cv-00085-MEM, United States District Court for the Middle District of Pennsylvania. This Notice outlines the terms of the proposed Settlement, and how to exclude

¹ In May 2018, Statoil changed its name to and is now known as Equinor USA Onshore Properties Inc. (“Equinor”). All references to Statoil herein should also be construed to apply to Royalty agreements made with Equinor.

yourself from the Class, or object to the Settlement, including the requested attorneys' fees or expenses or the requested awards to the Class Representatives.

Judge Malachy E. Mannion of the United States District Court for the Middle District of Pennsylvania is overseeing this class action.

The persons who brought the Action are the "Plaintiffs" and the party being sued is the "Defendant."

The term "Statoil" in this Notice means Statoil USA Onshore Properties Inc.

The term "Royalty" or "Royalties" means the amount owed to a lessor by Statoil pursuant to an oil and gas lease (including any fractional interest therein) or an overriding royalty derived from the lessor's interest in such an oil and gas lease.

2. What is this lawsuit about?

Plaintiffs claim that Statoil underpaid Royalties relating to gas produced from wells located in Pennsylvania pursuant to certain provisions of oil and gas leases. The Action alleges that Statoil inappropriately used an Index Pricing Methodology on which to base its Royalty payments rather than a Resale Price. Plaintiffs sought monetary damages and prejudgment interest.

Statoil contends that it correctly calculated its Royalty payments. Statoil denies Plaintiffs' claims but has agreed to settle the Action considering the time and expense of continuing the lawsuit and in the interest of furthering its relationship with the lessors.

A more complete description of the Action is available in the file for the Action maintained by the United States District Court for the Middle District of Pennsylvania. *See* Question 19, below. Additionally, should you have questions regarding the Action, such questions can be submitted in writing to Class Counsel at the address provided under Question 19 of this Notice.

3. Does this Settlement involve or relate to deduction of post-production expenses by Statoil?

Claims regarding deduction of post-production expenses were not brought in this case and are not released through this Settlement.

4. How do I know if I am a member of the Class?

The Class is defined as Royalty Owners in Northern Pennsylvania who have entered into oil and gas leases, regardless of the type of lease, that provide that the Royalty Owner is to be paid Royalties and to whom Statoil has (or had) an obligation to pay Royalties on production attributable to Statoil's working interest.

Excluded from the Class are the following:

1. Statoil, Statoil's affiliates, and their respective predecessors and successors;
2. any person or entity who owns a working interest in the Relevant Leases;
3. the interest of any Royalty Owner to the extent and for any time period in which that Royalty Owner receives its Royalty in kind;
4. the interest of any Royalty Owner to the extent and for any time period in which that interest was transferred or assigned to another;
5. any Royalty Owner who has previously released Statoil from any liability concerning or encompassing any or all Settled Claims;
6. the federal government;
7. the Commonwealth of Pennsylvania;
8. legally-recognized Indian Tribes; and
9. any person who serves as a judge in this Action and his/her spouse.

Some persons included in the Class definition may be deceased ("Deceased Class Members"). In order to assist the Settlement Administrator in the allocation and distribution of monies attributable to the interests of Deceased

Class Members, this Notice is accompanied by an Heirship/Beneficiary Information Form (“Heirship Form”). If a Class Member believes that he or she is entitled to receive all or some portion of the Settlement funds allocable to a Deceased Class Member, then the Class Member is requested, but not required, to mail to the Settlement Administrator a completed Heirship Form.

Some corporations, partnerships, or other entities included in the Class definition may now be dissolved. If you have succeeded to the interest of such a dissolved corporation, partnership, or other entity, you should immediately contact the Settlement Administrator at the following address and/or telephone number:

Rescigno v. Statoil USA Settlement Administrator
c/o Gilardi & Co. LLC
P.O. Box 43400
Providence, RI 02940-3400
Tel: 1-866-826-0491

If you are a Class Member and the Judge approves the proposed Settlement, you will be bound by all orders and judgments of the Court and by the Court’s final resolution of the Class claims in the Action. See Question 15 regarding your right to comment on or object to the proposed Settlement.

5. How do I know if my well or lease is included in the proposed Settlement?

You are included in the proposed Settlement if you fall within the Class definition under Question 4, above, and you are not excluded from the Class for any of the reasons described under Question 4, above.

If you have any questions about whether you are part of the Class, please contact the Settlement Administrator toll-free at 1-866-826-0491, or contact the following Class Counsel: Theodore J. Pintar, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, Tel: 1-800-449-4900, email: tedp@rgrdlaw.com.

Please do not contact the Court.

6. What does the proposed Settlement provide?

The proposed Settlement will result in the creation of a \$7 million cash Settlement Fund. Going forward Statoil will continue to use the Index Pricing Methodology to calculate Royalties for approximately 93% of leases. The release that allows Statoil to continue to use this Methodology sunsets five (5) years from the Effective Date of the Settlement. For the remaining 7% of the Class, whose leases contain a specific clause (as described in the Settlement) referring to gas sales to an affiliate, going forward, Statoil will stop using the Index Pricing Methodology and will calculate Royalties based on a Resale Price starting with the first month following preliminary approval of the Settlement by the Court.

In exchange for the benefits received by the Class, Statoil and its Related Parties will be released from any and all claims Class Members may have against Statoil or its Related Parties based on the calculation, payment, and/or reporting of Royalties based on an Index Pricing Methodology pursuant to a relevant lease, including the going forward release of five (5) years from the Effective Date of the Settlement, in accordance with the Settlement Agreement.

The Settlement affects only Statoil and/or its Related Parties and does not affect how any other entity calculates and/or pays Royalties.

The Net Settlement Fund will be distributed to Class Members according to the Plan of Administration and Distribution approved by the Court. For the 7% of the Class, whose leases contain a specific clause (as described in the Settlement) referring to gas sales to an affiliate, the Plan of Administration and Distribution will result in approximately 18% of the Net Settlement Fund being proportionately distributed to each member based on their historic Royalty volumes and values. For the remaining 93% of the Class, the approximate balance of 82% of the Net Settlement Fund will be distributed proportionately based on their historic Royalty volumes and values.

The “Net Settlement Fund” is the Settlement Fund, *i.e.*, the \$7 million payment by Statoil plus interest, less Notice and Administration Costs, any attorneys’ fees, expenses, any incentive awards granted to Plaintiffs and less Taxes, Tax Expenses and any other Court-approved deductions.

7. What am I giving up by staying in the Class?

If you do not make a valid and timely request in writing to be excluded from the Class, you will be bound by any and all determinations or judgments in the Action in connection with the proposed Settlement entered into or approved by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Settled Claims against the Released Persons.

“Settled Claims” means any and all claims, as well as any known or unknown claims, that (a) were asserted in or that could have been asserted in any complaint (including any amended complaint) in this Action, or that in any way relate to the Index Pricing Methodology used by Statoil to calculate Royalties prior to the Effective Date for Royalty Owners within the Class, and (b) involve the methodology for determining or valuing the Royalty price paid on Natural Gas produced from Class Members’ wells and attributable to and taken by Statoil’s working interest for sale, subject to the exceptions articulated immediately below. Settled Claims shall not include: (a) claims concerning post-production expense deductions; (b) ordinary and prior period adjustments to Royalty payments not related to the pricing methodologies settled in the Settlement Agreement (*e.g.*, due to title issues, decimal interests, purely mathematical computations, clerical issues, measurement issues, or corrected invoices from pipelines or purchases); (c) claims involving Royalty payments made separately by any co-working interest owner of Statoil for production taken and sold by such co-working interest owner, except that, to the extent that claims against Statoil for production taken and marketed by Statoil are released by the Settlement Agreement, Class Members shall not seek to recover such claims against other co-owners under a theory of vicarious liability, joint and several liability, or otherwise; and (d) non-Royalty-related claims such as claims for property damage, contamination, or personal injury.

8. What do I need to do to remain a Class Member?

If you want to remain a Class Member, **you do not need to take any action whatsoever**. Class Counsel will represent your interests as a member of the Class.

9. Can I get out of the Class?

If you do not want to be in the Class and you want to keep the right to sue Statoil or its affiliates about the same claims on your own, you must take steps to get out of the Class. This is called excluding yourself from or “opting out of” the Class. By excluding yourself, you keep the right to file your own lawsuit. If you exclude yourself from the Class, you will not receive any benefits from the Settlement.

10. How do I get out of the proposed Settlement?

To exclude yourself from (“opt out of”) the Class, you must send a letter personally signed by you that includes all of the following:

- Your name, address, and telephone number;
- Your Statoil owner number(s) (if you know it);
- The following Case Number: 3:16-cv-00085-MEM; and
- A statement that you want to be excluded from the Class.

Your request for exclusion must be mailed first class, postage pre-paid, **postmarked on or before October 9, 2020** to:

Rescigno v. Statoil USA Settlement Administrator
c/o Gilardi & Co. LLC
150 Royall Street, Suite 101
Canton, MA 02021

You cannot exclude yourself from only part of the Settlement or Class. You must either remain a Class Member or exclude yourself from the entire Settlement. Also, please remember that you cannot exclude yourself by phone or by sending an email.

11. Do I have lawyers representing my interests in the case?

The Court ordered that the following law firms represent the Class Members, including you: The Clark Law Firm, PC, Robbins Geller Rudman & Dowd LLP, and Chitwood Harley Harnes LLP. These lawyers are called “Class Counsel.” If you want to be represented by your own lawyer, and to have that lawyer appear in court, you may hire one at your own expense.

12. How will the lawyers be compensated?

Class Counsel will request that the Court award attorneys’ fees of 25% of the Settlement Amount and expenses in an amount not to exceed \$125,000, plus interest on both amounts as earned on the Settlement Fund. The Court, at its own discretion, may award less than these requested amounts without further notice to Class Members. Any attorneys’ fees and expenses awarded by the Court will be paid from the Settlement Fund. Again, if you choose to hire your own attorney, you will be responsible for that attorney’s fees and expenses.

13. Should I get my own lawyer?

You do not need to hire your own lawyer but you may elect to do so. If you want your own lawyer to speak for you or to appear in Court, you or your lawyer must file a Notice of Appearance. (See Question 18 to find out how to submit a Notice of Appearance.) If you hire a lawyer to appear for you in the lawsuit, you will have to pay that lawyer on your own.

14. Who are the Class Representatives and how are they compensated?

The Court has appointed Plaintiffs Angelo R. Rescigno, Sr., as Executor of the Estate of Cheryl B. Canfield, Donald Keith Stine and Mary Stine, as Class Representatives. The Class Representatives work with Class Counsel on behalf of all Class Members to present the views of typical Class Members to Class Counsel and the Court. The Class Representatives may be entitled to incentive awards not to exceed \$5,000 each.

15. Can I object or comment on the proposed Settlement?

If you have comments about, or disagree with, any aspect of the proposed Settlement, including the requested attorneys’ fees or expenses or the requested incentive awards to the Class Representatives, you may express your views to the Court through a written response to the proposed Settlement. Only Class Members who have not opted out can comment on or object to the proposed Settlement. The written comment or objection should include your name, address, telephone number, and Statoil owner number(s) (if known). In addition, any objection must include: (a) a written statement of your objection, (b) a written statement of the grounds or reasons for your objection, and (c) copies of any papers, briefs, or other documents supporting your objection. The document must be signed to ensure the Court’s review. In order to be considered by the Court, your comment or objection must be **received on or before October 9, 2020**, and mailed to:

Clerk of the Court
United States District Court, Middle District of Pennsylvania
William J. Nealon Federal Building & U.S. Courthouse
235 N. Washington Ave.
Scranton, PA 18503

Your comment or objection must clearly state that it relates to the following Case Number: 3:16-cv-00085-MEM.

The comment or objection **must** also be mailed to the following attorneys:

Counsel for the Class:
Theodore J. Pintar
Robbins Geller Rudman &
Dowd LLP
655 West Broadway, Suite 1900
San Diego, CA 92101

Counsel for Statoil:
David A. Higbee
Shearman & Sterling LLP
401 9th Street NW, Suite 800
Washington, DC 20004

16. Will there be a hearing on the proposed Settlement?

The Court will hold a Settlement Hearing on **October 30, 2020, at 10:30 a.m.**, to consider whether the proposed Settlement is fair, reasonable, and adequate. The Settlement Hearing will be held at the William J. Nealon Federal Building & U.S. Courthouse, 235 N. Washington Ave., Scranton, PA 18503. At the Settlement Hearing, the Court will decide whether to approve the proposed Settlement and the motion for attorneys' fees and expenses. If comments or objections have been received, the Court will consider them at this time.

Note: The Settlement Hearing may be postponed to a different date without additional notice.

17. Must I attend the hearing?

Attendance is not required, even if you properly mailed a written objection or comment. Class Counsel are prepared to answer the Court's questions on your behalf. If you or your lawyer still want to attend the Settlement Hearing, you are welcome to come at your own expense. However, it is not necessary that you attend. If you filed an objection to the Settlement, as long as the objection was received before the deadline, the Court will consider it, regardless of whether you or your privately-retained attorney appear at the Settlement Hearing.

18. May I speak at the hearing?

If you want to speak or have your own lawyer speak at the Settlement Hearing, you must give the Court a paper that is called a "Notice of Appearance." The Notice of Appearance must refer to *Rescigno v. Statoil USA Onshore Properties Inc., et al.*, Case No. 3:16-cv-00085-MEM, United States District Court for the Middle District of Pennsylvania, and state that you or your lawyer wish to enter an appearance at the Settlement Hearing. It must also include your name, address, telephone number, and signature. Your "Notice of Appearance" must be **received no later than October 9, 2020**. You cannot speak at the Settlement Hearing if you asked to be excluded from the Class.

The Notice of Appearance must be filed with the Court at the address provided under Question 15 above and also mailed to the attorneys listed in Question 15 above.

In addition, your document must clearly state that it relates to the following Case Number: 3:16-cv-00085-MEM.

19. How do I get more information about the proposed Settlement?

This Notice summarizes the proposed Settlement and your rights and options as a Class Member. To find out more information, call 1-866-826-0491, check the website: www.statoilsettlement.com, or write to:

Rescigno v. Statoil USA Settlement Administrator
c/o Gilardi & Co. LLC
P.O. Box 43400
Providence, RI 02940-3400

If you have a question about whether or not you are in the Class, or about your rights and options as a Class Member, you may contact Class Counsel at: Theodore J. Pinter, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101, Tel: 1-800-449-4900, email: tedp@rgrdlaw.com.

All court records, including the Settlement Agreement and other documents for the Action, may be examined in person and copied at the United States District Court, Middle District of Pennsylvania, William J. Nealon Federal Building & U.S. Courthouse, 235 N. Washington Ave., Scranton, PA 18503.

PLEASE DO NOT TELEPHONE THE COURT, THE CLERK OF THE COURT, OR STATOIL.