

**IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF OKLAHOMA**

(1) Stephen Lane Ritter, and on behalf of
himself and all others similarly situated,

Plaintiff,

v.

(1) Foundation Energy Management, LLC,

and

(2) Foundation Energy Fund VII-A, L.P.

Defendants.

Case No. 22-CV-246-JFH

JURY TRIAL DEMANDED

PLAINTIFF’S FIRST AMENDED CLASS ACTION COMPLAINT

Plaintiff Stephen Lane Ritter (“Plaintiff”), on behalf of himself and all others similarly situated, brings this First Amended Class Action Complaint, alleging and stating the following against Foundation Energy Management, LLC (“FEM”) and Foundation Energy Fund VII-A, L.P. (“FEF”) (collectively, “Defendants”).

SUMMARY OF ACTION

1. This class action concerns Defendants’ willful and ongoing violations of Oklahoma law related to the payment of oil-and-gas production proceeds to owners.

2. Oklahoma’s Production Revenue Standards Act (“PRSA”) requires holders of proceeds, like Defendants here, to pay interest on “proceeds from the sale of oil or gas production or some portion of such proceeds [that] are not paid prior to the end of the applicable time periods provided” by statute. 52 O.S. § 570.10(D).

3. The PRSA imposes automatic interest on late payments. Compliance with the PRSA is not optional, and the statute contains no demand requirement before an owner is entitled to statutory interest.

4. Defendants know they are bound by statute to pay interest on late payments, but they have consistently ignored these obligations and blatantly violated Oklahoma law.

5. Defendants do not automatically pay interest on all late payments.

6. Instead, upon information and belief, they only pay interest to owners who demand it.

7. For these reasons, Plaintiff files this class action against Defendants to obtain relief for himself and all other owners who received late payments for which Defendants did not pay interest as required by the PRSA.

PARTIES

8. Stephen Lane Ritter is a resident of Atwood, Oklahoma.

9. Stephen Lane Ritter owns a royalty interest in the Huffstutlar 334-1HX well in Hughes County, Oklahoma.

10. Foundation Energy Management, LLC (“FEM”) is a Texas limited liability company with its principal place of business located in Addison, Texas. Foundation may be served with process by serving its registered agent: Eddie W. Rhea, 5057 Keller Springs Road, Suite 650, Addison, TX 75001.

11. FEM is in the business of producing oil-and-gas and constituent products from the oil-and-gas properties in which the Class Members hold interests.

12. FEM remits proceeds from oil-and-gas production to Class Members.

13. FEM operates the Huffstutlar 334-1HX well in which Plaintiff owns a royalty interest.

14. FEM remits oil-and-gas proceeds to Plaintiff for production from the Huffstutlar 334-1HX well.

15. At all times relevant to the claims asserted in this Class Action Complaint, Foundation and Corterra Energy Operating, LLC were obligated to pay oil-and-gas proceeds to Plaintiff and the putative class.

16. Foundation Energy Fund VII-A, L.P. (“FEF”) is a Delaware limited partnership with its principal place of business in Addison, Texas. FEF may be served with process by serving its registered agent: Foundation Energy Management LLC, 5057 Keller Springs Road, Suite 650, Addison, TX 75001.

17. FEF acquired oil-and-gas interests and wells from Corterra Energy Operating, LLC and its affiliates, including interests in the Huffstutlar 334-1HX well in which Plaintiff owns a royalty interest, which wells presently operated by FEM.

18. FEF assumed liabilities, including late payment liabilities, from Corterra in that transaction.

JURISDICTION & VENUE

19. The preceding allegations are fully incorporated by reference.

20. This Court has original jurisdiction over the claims asserted in this complaint pursuant to 28 U.S.C. § 1332(d) because this is a class action in which the amount in controversy exceeds the sum of \$5,000,000, and because members of the class and Defendants are citizens of different states.

21. This Court has personal jurisdiction over Defendants because they have minimum contacts with this District related to the claims in this case.

22. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b)(2) because a substantial part of the events or omissions giving rise to this claim occurred in, or a substantial part of property that is the subject of this action is situated in, this District.

FACTUAL ALLEGATIONS

FEM's Late Payments

23. The preceding allegations are fully incorporated by reference.

24. The PRSA requires that “[p]roceeds from the sale of oil or gas production from an oil or gas well shall be paid to persons legally entitled thereto . . . commencing not later than six (6) months after the date of first sale, and . . . thereafter not later than the last day of the second succeeding month after the end of the month within which such production is sold.” 52 O.S. § 570.10(B)(1)(a)–(b).

25. When a holder of proceeds fails to pay oil-and-gas proceeds within those time-lines (*i.e.*, when the holder makes a late payment), the holder automatically owes interest on the late payment. *See id.* § 570.10(D)(1)–(2).

26. Despite this clear statutory obligation, Defendants do not automatically pay interest on all late payments.

27. Instead, upon information and belief, Defendants only pay statutory interest to owners who demand it, even though the statute contains no such demand requirement.

28. This lawsuit presents an example of FEM’s demand requirement.


29. Plaintiff filed his Original Class Action Complaint on September 1, 2022. *See* Doc. 1.

30. Plaintiff then received a letter from FEM, dated September 8, 2022, which stated the following:

Dear Mr. and Mrs. Ritter:

When Foundation Energy Management was reviewing the Huffstuttlar 0334-1HX files and records in connection with Skeeter Jordan's inquiries, we noted that your royalty payment was made a few days late in the first few months following our acquisition of the Huffstuttlar 0334-1HX well from Corterra Energy Operating, LLC. For this reason, enclosed please find our check in the amount of \$620.06, which represents payment of interest owed to you for the late payments, calculated at the rate of 12% per annum in accordance with the Oklahoma Production Revenue Standards Act.

We apologize for any inconvenience this may have caused you during the transition of operatorship. If you have any questions, please feel free to contact me.

Best regards,

Antoinette G. Roberson
Revenue Manager
972.707.2510

31. The \$620.06 in interest that FEM attempted to tender to Plaintiff represented interest FEM admitted it owed to Plaintiff on multiple late payments.

32. It appears FEM has a stated policy of paying proceeds on subsequent production on the third month after the date of sale instead of the second month after the date of sale, as required by the PRSA.

33. FEM provides the following information in a FAQ document posted on its website:

Will I be getting a check this month?

We issue checks on the 15th of the month. Our checks are distributed as follows:
Example: If we picked up oil from your lease in January, we would process your royalties check on the 15th of March and distribute checks between the 16th and 25th, if we transport gas from your lease in January, we would process your royalties check on the 15th of April and distribute checks between the 16th and 25th. This is assuming your check would be at least \$100.
For more information, please call 1-855-971-HELP (4357).

See <https://foundationenergy.com/wp-content/uploads/Frequently-Asked-Questions-NEW.pdf> (last visited Dec. 8, 2022).

FEF's Liability for Late Payments Made by Corterra Energy Operating, LLC

34. The preceding allegations are fully incorporated by reference.

35. FEF executed a Purchase and Sale Agreement (“PSA”), dated January 22, 2021, but effective January 1, 2021, with Corterra Energy Operating, LLC, Corterra Energy Resources, LLC, and Corterra Energy Arkoma, LLC (collectively, “Corterra”).

36. Through the PSA, FEF acquired rights, titles, and interests in Oklahoma oil and gas properties from Corterra.

37. FEF also assumed various liabilities of Corterra through the transaction, including liabilities for the failure to timely pay oil and gas proceeds.

Corterra Energy Operating, LLC's Late Payments

38. The preceding allegations are fully incorporated by reference.

39. Prior to the PSA, Corterra Energy Operating, LLC operated the Huffstutlar 334-1HX well, in which Plaintiff owns a royalty interest.

40. Corterra Energy Operating, LLC remitted proceeds to Plaintiff for his royalty interest in the Huffstutlar 334-1HX well.

41. Corterra Energy Operating, LLC paid Plaintiff proceeds in March 2021 that were attributable to December 2020 production from the Huffstutlar 334-1HX well.

42. The December 2020 proceeds from the Huffstutlar 334-1HX well were not for first sales of production.

43. Plaintiff is owed interest on the late payment of proceeds for December 2020 production that he received in March 2021.

44. Under the PSA, FEF assumed the liability for the interest owed to Plaintiff by Corterra Energy Operating, LLC.

CLASS ACTION ALLEGATIONS

45. The preceding allegations are fully incorporated by reference.

46. Plaintiff brings this action on behalf of himself and as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the following classes (the “Classes”):

Class I:

All non-excluded persons or entities who, within the five years preceding filing of the lawsuit: (1) received late payments under the PRSA from Foundation Energy Management, LLC (or Foundation Energy Management, LLC’s designee) for oil-and-gas proceeds from Oklahoma wells, or whose proceeds were sent as unclaimed property to a government entity by Foundation Energy Management, LLC ; and (2) whose proceeds did not include the statutory interest required by the PRSA.

Excluded from the Class are: (1) Foundation Energy Management, LLC, its affiliates, predecessors, and employees, officers, and directors; and (2) agencies, departments, or instrumentalities of the United States of America or the State of Oklahoma; and (3) any Indian Tribe as defined at 30 U.S.C. § 1702(4) or Indian allottee as defined at 30 U.S.C. § 1702(2).

Class II:

All non-excluded persons or entities who, within the five years preceding filing of the lawsuit: (1) received late payments under the PRSA from Corterra Energy Operating, LLC (or Corterra Energy Operating, LLC’s designee) for oil-and-gas proceeds from the Oklahoma wells that were acquired by FEF, or whose proceeds from those acquired wells were sent as unclaimed property to a government entity by Corterra Energy Operating, LLC; and (2) whose proceeds did not include the statutory interest required by the PRSA.

Excluded from the Class are: (1) Corterra Energy Operating, LLC, its affiliates, predecessors, and employees, officers, and directors; and (2) agencies, departments, or instrumentalities of the United States of America or the State of Oklahoma; and (3) any Indian Tribe as defined at 30 U.S.C. § 1702(4) or Indian allottee as defined at 30 U.S.C. § 1702(2).

47. Upon information and belief, absent Class members entitled to interest owing on late payments number in the thousands.

48. FEM operates over 600 wells in Oklahoma, and there are at least dozens of owners in each of these wells.

49. Corterra Energy Operating, LLC operated at least 100 wells in Oklahoma.

50. Thus, the Classes are so numerous that joinder of all members is impracticable.

51. The questions of fact and law common to the Classes include:

- a. Whether Plaintiff and the Classes own legal interests in the Oklahoma properties upon which FEM and Corterra Energy Operating, LLC have or had an obligation to pay oil-and-gas proceeds;
- b. Whether, under Oklahoma law, FEM and FEF (by way of its assumption of various Corterra Energy Operating, LLC liabilities) owe interest to Plaintiff and the Classes on any late payments under the PRSA;
- c. Whether FEM and FEF's failure to pay interest to Plaintiff and the Classes on any late payments constitutes a violation of the PRSA; and
- d. Whether FEM is obligated to pay interest on future late payments under the PRSA.

52. Plaintiff's claims are typical of the Classes because each Class member's claims are identical.

53. Defendants have treated Plaintiff and the Classes in the same way by failing to pay the required interest on late payments under the PRSA.

54. Plaintiff will fairly and adequately protect the interests of the Classes. Plaintiff's interests do not conflict with the interests of the Classes. Plaintiff is represented by counsel who are skilled and experienced in oil-and-gas matters, accounting, and complex civil litigation, including oil-and-gas royalty class actions.

55. The averments of fact and questions of law in this First Amended Class Action Complaint are common to the members of the Classes and predominate over any questions affecting only individual members.

56. A class action is superior to other available methods for the fair and efficient adjudication of this controversy for the following reasons:

- a. The questions of law and fact are so numerous across the Classes that there is no reason why individual members of the Classes would want to control the prosecution of their own claims at their own expense;
- b. To Plaintiff's knowledge, there is no pending litigation by any individual Class members, with the same scope of Class membership sought in this First Amended Class Action Complaint against Defendants relating to their failure to pay interest owing on the late payment of oil-and-gas proceeds as required by law;
- c. All parties and the judiciary have a strong interest in resolving these matters in one forum without the need for multiple actions;
- d. The difficulties in managing this case as a class action will be slight in relation to the personal benefits to be achieved on behalf of each and every Class member—not only those who can afford to bring their own actions; and
- e. Absent a class action, Plaintiff and the Class members may never fully discover the wrongful acts of Defendants, the extent of their respective financial losses, or the financial benefit they are unwittingly providing to Defendants.

CAUSE OF ACTION

Breach of Statutory Obligation to Pay Interest

57. The preceding allegations are incorporated by reference.
58. Plaintiff brings this cause of action on behalf of himself and the Classes.
59. Plaintiff and the Classes were legally entitled to the payments of oil-and-gas proceeds from Defendants.

60. Section 570.10 of the PRSA requires Defendants to pay oil-and-gas proceeds according to the applicable statutory time periods.

61. The PRSA further requires Defendants to automatically pay interest when they make payments outside of the applicable statutory time periods.

62. Under the PSA, FEF has assumed Corterra Energy Operating, LLC's liability under the PRSA for interest owed on payments made outside the PRSA's timelines.

63. Defendants failed to timely pay oil-and-gas proceeds it owed to Plaintiff and the Classes.

64. In violation of the PRSA, when Defendants ultimately made its late payments to Plaintiff and the Classes, Defendants did not pay the interest required by the PRSA.

65. Defendants' failure to pay interest under the PRSA was knowing and intentional. Defendants are aware of their statutory obligations to automatically pay interest on late payments, but instead, upon information and belief, they only pay interest when owners demand it.

66. Defendants' failure to pay interest they owe under the PRSA has caused Plaintiff and the Classes to suffer harm.

DEMAND FOR JURY TRIAL

Under Fed. R. Civ. P. 38, Plaintiff demands a jury trial for all issues so triable.

PRAYER FOR RELIEF

Wherefore, premises considered, Plaintiff seeks:

1. An order certifying and allowing this case to proceed as a class action with Plaintiff as class representative and the undersigned counsel as class counsel;
2. An order requiring Defendants to pay Plaintiff and the Class members actual damages to fully compensate them for losses sustained as a direct, proximate, and producing cause of Defendants' breaches and unlawful conduct, including,

without limitation, the compounded interest on late payments as required by law;

3. An order requiring Defendants to pay interest in the future, as required by law, to Plaintiff and the Classes;
4. An order awarding punitive damages as determined by the jury, which is demanded herein, and in accordance with Oklahoma law on each of Defendants' wrongful acts, as alleged in this Class Action Complaint;
5. An order requiring Defendants to pay the Classes' attorney fees and litigation costs as provided by statute; and
6. Such costs and other relief as this Court deems appropriate.

Respectfully Submitted,

/s/Reagan E. Bradford

Reagan E. Bradford, OBA #22072

Ryan K. Wilson, OBA #33306

BRADFORD & WILSON PLLC

431 W. Main Street, Suite D

Oklahoma City, OK 73102

Telephone: (405) 698-2770

reagan@bradwil.com

ryan@bradwil.com

~~–and–~~

Brady L. Smith, OBA #30727

Harry "Skeeter" Jordan, OBA #32437

BRADY SMITH, PLLC

One Leadership Square, Suite 1320

211 N. Robinson

Oklahoma City, OK 73102

(405) 293-3029

brady@blsmithlaw.com

skeeter@blsmithlaw.com

COUNSEL FOR PLAINTIFF

CERTIFICATE OF SERVICE

I hereby certify that on December 26, 2022, a true and correct copy of the above and foregoing document was served in accordance with the Local Rules on all counsel of record *via* the Court's electronic filing system.

/s/ Reagan E. Bradford _____

Reagan E. Bradford