IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

JEFFRY S. VODENICHAR, and **DAVID M. KING, JR**. and **LEIGH V. KING**, husband and wife, and **JOSEPH B. DAVIS** and **LAUREN E. DAVIS**, husband and wife,	)	
Plaintiffs,	)	Civil Action No.
v.	)	
HALCON ENERGY PROPERTIES, INC.,	)	
Defendant.	)	

COMPLAINT – CLASS ACTION

Plaintiffs Jeffry S. Vodenichar, David M. King, Jr., Leigh V. King, Joseph B. Davis and Lauren E. Davis, individually and on behalf of all persons similarly situated, by their undersigned counsel, file this Class Action Complaint against defendant Halcon Energy Properties, Inc. ("Halcon" or "Halcon Energy Properties"), and in support thereof allege upon personal knowledge or upon information and belief as follows:

INTRODUCTION

1. In 2012, Halcon Energy Properties sought to acquire the oil and gas rights in a huge swath of land in Mercer County, Pennsylvania and Eastern Ohio. Halcon acquired 27,000 acres of rights in Trumbull County, Ohio and 4,000 acres in Mahoning County, Ohio in June 2012 at a cost of $194 million. But, Mercer County, Pennsylvania, was Halcon's largest target. In June 2012, Halcon entered into a binding contract in which it agreed to lease up to 60,000 acres of oil

and gas rights from landowners in Mercer County. Halcon agreed to pay the Mercer County landowners $3,850 per acre as well as an 18.5% royalty payment. However, in September, 2012, Halcon wrongfully and without justification repudiated its agreement to lease the oil and gas rights to more than 1,700 parcels of land in Mercer County. Plaintiffs seek to recover, individually and for all those similarly situated, all amounts that Halcon owes, but refuses to pay.

THE PARTIES

2. Plaintiff Jeffry S. Vodenichar ("Vodenichar") is a citizen of Pennsylvania who resides in Butler, Pennsylvania. Mr. Vodenichar owns approximately 275 acres of land in New Vernon Township, Mercer County, Pennsylvania, including: (i) 80.41 acres of land known as Parcel Number 19 075 019 in New Vernon Township as described in the deed recorded in Book 2006, Page 14156 of the Mercer County Recorder of Deeds Office; (ii) 60.9 acres of land known as Parcel Number 19 074 041 in New Vernon Township as described in the deed recorded in Book 2006, Page 2316 of the Mercer County Recorder of Deeds Office; (iii) 100 acres of land known as Parcel Number 19 062 023 002 in New Vernon Township as described in the deed recorded in Book 2006, Page 2316 of the Mercer County Recorder of Deeds Office; and (iv) 34.4 acres of land known as Parcel Number 19 062 023 in New Vernon Township as described in the deed recorded in Book 2005, Page 11482 of the Mercer County Recorder of Deeds Office (collectively, the "Vodenichar Parcels"). Mr. Vodenichar owns all relevant oil and gas rights associated with the Vodenichar Parcels.

3. Plaintiffs David M. King, Jr. and Leigh V. King, husband and wife (the "Kings"), are citizens of Pennsylvania who reside at Sandy Lake, Mercer County, Pennsylvania. The Kings

own approximately 63.34 acres of land known as Parcel Number 19 062 024 in New Vernon Township, Mercer County, Pennsylvania, as described in the deed recorded in Book 2005, Page 10768 of the Mercer County Recorder of Deeds Office (the "King Parcel"). The Kings own all relevant oil and gas rights associated with the King Parcel.

4. Plaintiffs Joseph B. Davis and Lauren E. Davis, husband and wife (the "Davises"), are citizens of Pennsylvania who reside in Stoneboro, Pennsylvania. The Davises own approximately 7.5 acres of land known as Parcel Number 19 074 041 005 in New Vernon Township, Mercer County, Pennsylvania, as described in the deed recorded in Book 2005, Page 7081 of the Mercer County Recorder of Deeds Office (the "Davis Parcel"). The Davises own all relevant oil and gas rights associated with the Davis Parcel.

5. Defendant Halcon Energy Properties, Inc. is a corporation organized and existing pursuant to the laws of the State of Delaware. Its principal place of business and headquarters is located at 1000 Louisiana Street, Suite 6700, Houston, Texas 77002.

JURISDICTION AND VENUE

6. This Court has jurisdiction pursuant to 28 U.S.C. § 1332. Each of the individual and representative plaintiffs is a citizen of Pennsylvania. Defendant is a citizen of both Delaware and Texas. The amount in controversy for Mr. Vodenichar and also for the Kings exceeds $75,000 exclusive of interest and costs.

7. Halcon has conducted and engages in business in the Commonwealth of Pennsylvania, and this action arises out of Halcon's activities in this District.

8. Venue is proper in this District pursuant to 28 U.S.C. § 1391(a) because a

substantial part of the events giving rise to the claim occurred in this District and because the property that is the subject of this action is situated in this District.

EVENTS GIVING RISE TO THE CLAIMS

9. Co-eXprise, Inc. ("CX-Energy") is a corporation whose principal place of business is located at Suite 300, 6021 Wallace Road, Ext., Wexford, Pennsylvania. It is in the business of marketing oil and gas rights of landowners to gas and energy firms or other entities. Moracyzk and Polochak ("M&P") is a law firm with offices at Suite 200, 1371 Washington Pike, Bridgeville, Pennsylvania.

10. Landowners in Pennsylvania frequently own valuable oil and gas rights associated with their property. CX-Energy and M&P have worked together to represent landowners in marketing large tracts of oil and gas interests to gas and energy companies or other entities.

11. Large tracts of contiguous or nearby parcels of land are believed to be, and are, more attractive to oil and gas companies than individual smaller parcels of land. Accordingly, CX Energy and M&P believed that landowners could obtain oil and gas leases with higher bonus payments, higher royalty rates, and more attractive terms by offering their land as a group to oil to gas and energy companies.

12. To form a bargaining group for Mercer County landowners, CX-Energy and M&P in 2012 solicited and entered into individual contracts with thousands of landowners in Mercer County, Pennsylvania, who they designated as the "Mt. Jackson 4 – Stoneboro Group" (such persons are variously referred to as the "Mt. Jackson IV Landowner Group," the "Mt. Jackson Group 4 Landowners," the "Mt. Jackson Group," or similar terms).

13. The contracts which CX-Energy and M&P entered with landowners were known as Landowner MarketPlace Agreements (or "LMAs"). CX-Energy and M&P expected to earn a transaction fee for each lease that they negotiated between a landowner in the group and a gas company. As described below, the LMAs appointed CX-Energy and M&P as agents for the landowners who entered the LMAs.

14. Mr. Vodenichar's entered into an LMA with CX-Energy and M&P in June, 2012. Under the LMA, CX-Energy and M&P agreed to market Mr. Vodenichar's oil and gas rights to gas companies in an effort to secure acceptable price and lease terms for his parcels of land. M&P, under the LMA, agreed to prepare all applicable lease documents on Mr. Vodenichar's behalf. Mr. Vodenichar, in turn, granted to CX-Energy and M&P the exclusive right to accept price proposals from potential lessees for a defined period of time and to negotiate on his behalf. In addition, Mr. Vodenichar also agreed that he was required to execute an oil and gas lease if CX-Energy and M&P negotiated a gas lease that (i) paid a bonus payment of $3,500 or more per acre, (ii) had a royalty payment of 17.5% or more, and (iii) had mutually-agreed upon lease terms (all of which conditions occurred with respect to Halcon, as set forth below). Mr. Vodenichar also agreed that CX-Energy and M&P would receive a transaction fee equal to 8% of the bonus payment that the lessee company was to pay him. A true and correct copy of Mr. Vodenichar's LMA is attached as Exhibit 1 and incorporated herein.

15. Approximately 3,000 other Mercer County landowners, including the Kings and the Davises, also engaged CX-Energy and M&P in 2012 to represent them to find a company that would lease their oil and gas rights on acceptable terms. The Kings, the Davises and the other

Mercer County landowners executed LMAs that were virtually identical to Mr. Vodenichar's LMA which is attached as Exhibit 1. The LMAs differed only as to the identity of the landowner, the property description, and, in some instances, the amount of the transaction fee. As with Mr. Vodenichar, such LMAs granted to CX-Energy and M&P the exclusive right to negotiate with and accept price proposals from potential lessees for a defined period of time and required the landowners to execute an oil and gas lease if -- as in fact occurred with Halcon -- CX-Energy and M&P negotiated a gas lease that paid a bonus payment of more than $3,500 per acre, a royalty payment of 17.5% or more, and mutually-agreed upon lease terms.

16. Each of the LMA's entered between CX-Energy, M&P and plaintiffs or other class member landowners included an attachment designated as Exhibit A, which identified the specific parcels of real estate owned by the individual landowner and which were subject to the LMA. The Mercer County landowners who executed LMAs with CX-Energy and M&P were a specifically defined geographical group. Only persons who entered into LMAs with CX-Energy and M&P were members of the Mt. Jackson IV Landowner Group.

17. As required by the LMAs, CX-Energy and M&P marketed the oil and gas rights of plaintiffs and the class members and attempted to find a company that would lease those oil and gas rights. After various marketing efforts and negotiations, Halcon, on or about June 2, 2012, entered into a so-called "Letter of Intent" (the "Halcon Agreement") with CX-Energy and M&P, acting on behalf of and as agents for members of the Mt. Jackson IV Landowner Group.

18. In the Halcon Agreement, Halcon contracted to lease up to 60,000 acres of the oil and gas rights from Mercer County landowners who entered into LMAs with CX Energy and M&P

and submitted executed oil and gas leases and other required documents by June 30, 2012, as further described below. The Halcon Agreement contains a confidentiality provision, and, therefore, it is not attached hereto.

19. Under the terms of the Halcon Agreement, Halcon agreed to accept and enter into an oil and gas lease with every member of the Mt. Jackson Group who submitted specified documents on a timely basis. More specifically:

(a) After negotiating with CX-Energy and M&P, Halcon prepared a standard form "Oil and Gas Lease, Paid-Up Lease" (hereinafter "Form Lease") an "Order for Payment", and a "Memorandum of Lease" which were to be executed and returned by landowners in the Mt. Jackson Group. The Form Lease explicitly stated that it "was prepared by … Halcon Energy Properties, Inc."

(b) Under the terms of the Halcon Agreement and the Form Lease and Order for Payment that Halcon negotiated and prepared, Halcon agreed to pay each Mt. Jackson Group landowner $3,850 per acre as a "bonus" together with an 18.5% royalty.

(c) Each member of the Mt. Jackson Group was to execute an Order for Payment, the Form Lease and Memorandum of Lease, and other documents and Halcon agreed to accept each Form Lease subject to the delivery and confirmation of marketable title.

(d) CX-Energy and M&P agreed to conduct at least one three-day opportunity for members of the Mt. Jackson Group to execute the Form Lease, Order for Payment, and Memorandum of Lease that Halcon had prepared. Halcon also agreed to pay the expenses

associated with such meetings and mass signings opportunities. Halcon agreed to enter into oil and gas leases with each class member who submitted the form documents by June 30, 2012, or as extended. However, Halcon was not required to lease more than 60,000 acres of oil and gas rights under the Halcon Agreement.

(e) Halcon had 90 business days from June 30, 2012, to complete its title review. Halcon had to make payment under the leases prior to the expiration of that period unless a title defect existed with respect to a specified property. If Halcon asserted that a title defect existed with respect to a specified property, the landowner, CX-Energy and M&P had 6 months to cure the defect.

(f) The Halcon Agreement states that it is governed by Texas law.

20. The terms of the Halcon Agreement applied both to the members of the Mt. Jackson Group who had already executed LMAs as well as to persons within the defined group who thereafter executed LMAs. Additionally, a limited window of time existed whereby Halcon was contractually bound to enter leases with members of the Mt. Jackson Group who executed LMAs. Under the Halcon Agreement, every Mt. Jackson Group member with oil and gas rights to lease who executed an LMA by June 30, 2012, was guaranteed to receive an oil and gas lease with Halcon paying a $3,850 per acre bonus payment and an 18.5% royalty.

21. In June 2012, Mr. Vodenichar submitted an offer letter, a Form Lease, an Order for Payment and a Memorandum of Lease for approximately 275 acres of land that he owned in Mercer County, Pennsylvania, all in the form drafted and prepared by Halcon. He also executed and submitted an IRS Form W-9 and a Limited Power of Attorney. A true and correct (redacted)

copy of each of such documents is attached as Exhibit 2 with the exception that the word "VOID" which appears on various pages of Exhibit 2 was not on such pages when they were executed and submitted by Mr. Vodenichar. Rather, that word was subsequently and improperly placed on the documents by defendant Halcon.

22. Under the terms of the Order for Payment and the Halcon Agreement, Halcon committed to enter into an oil and gas lease with Mr. Vodenichar under which he was to receive a bonus payment of approximately $974,050.00 and royalty payments of 18.5%. The bonus payment amount was after deduction of a transaction fee of $84,700 payable to CX-Energy and M&P.

23. The Kings, the Davises and all other class members executed and submitted substantially identical Form Leases, Orders for Payment, Memoranda of Lease and related documents to Halcon on a timely basis, that is, on or before June 30, 2012.

24. Once Mr. Vodenichar, the Kings, the Davises and the class members submitted to Halcon on a timely basis their Form Leases, Orders for Payment, Memoranda of Lease in the form which Halcon drafted and prepared and related documents, Halcon became legally obligated to pay the bonus payment amounts called for in the Orders for Payment and the Form Leases, except where Halcon gave timely notice of a title defect and such title defect could not thereafter be cured within the appropriate time period.

25. In or about early September 2012, Halcon abandoned its plan to explore and develop oil and gas rights throughout Mercer County. It no longer wished to lease oil and gas rights throughout Mercer County but rather only in selected boroughs and townships. Halcon

announced that it would repudiate and reject oil and gas leases and its related commitments for roughly one-half of the members of the Mt. Jackson Group. Halcon informed CX Energy and M&P that it would reject – and it in fact rejected – all leases submitted by class members for properties in Farrell, Hermitage, Sharon, Clark, Grove City, Jackson Center, Mercer, New Lebanon, Sharpville, West Middlesex, Wheatland, Coolspring Township, Deer Creek Township, Delaware Township, East Lackawannock Township, Findley Township, French Creek Township, Jackson Township, Jefferson Township, Lackawannock Township, Lake Township, Liberty Township, Mill Creek Township, New Vernon Township, Pine Township, Pymatuning Township, Shenango Township, Springfield Township, Wilmington Township, Wolf Creek Township and Worth Township -- all in Mercer County, Pennsylvania.

26. Halcon stated in early September 2012 that it intended to honor its commitments to the members of the Mt. Jackson Group whose properties were in Fredonia, Greenville, Jamestown Borough, Sandy Lake Borough, Sheakleyville Borough, Stoneboro Borough, Fairview Township, Greene Township, Hempfield Township, Otter Creek Township, Perry Township, Salem Township, Sandy Creek Township, Sandy Lake Township, South Pymatuning Township, or West Salem Township. Upon information and belief, Halcon intends in the future also to disavow its duty to enter some portion of leases in those geographic areas as well.

27. Halcon has rejected and repudiated its obligations under the Halcon Agreement. It has marked "VOID" and returned to CX-Energy and M&P the Form Leases, the Orders for Payment and the Memoranda of Lease for Mr. Vodenichar, the Kings, the Davises and the other class members who have land in Mercer County, Pennsylvania in Farrell, Hermitage, Sharon,

Clark, Grove City, Jackson Center, Mercer, New Lebanon, Sharpville, West Middlesex, Wheatland, Coolspring Township, Deer Creek Township, Delaware Township, East Lackawannock Township, Findley Township, French Creek Township, Jackson Township, Jefferson Township, Lackawannock Township, Lake Township, Liberty Township, Mill Creek Township, New Vernon Township, Pine Township, Pymatuning Township, Shenango Township, Springfield Township, Wilmington Township, Wolf Creek Township or Worth Township. For example, Halcon placed the word "VOID" on the applicable pages of Exhibit 2. Halcon also never performed, or ceased conducting, title due diligence as to such properties.

28. Halcon has refused to honor its obligation to enter into oil and gas leases and to pay bonus amounts of $3,850 per acre for approximately 1,700 parcels of land in Mercer County.

29. At all times relevant hereunder, plaintiffs have acted in good faith and have otherwise complied with all obligations giving rise to this lawsuit.

CLASS ACTION ALLEGATIONS

30. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and 23(b)(3), for Count I, and 23(b)(2), for Count II, on behalf of themselves and the following class:

> All persons who entered into a Landowner Marketing Agreement with CX-Energy and M&P relating to property located in Mercer County, Pennsylvania, who executed and submitted an oil and gas lease and related documents to Halcon Energy Properties, Inc. on or before June 30, 2012, pursuant to the terms of the Halcon Agreement, but which oil and gas lease Halcon rejected or refused to accept. Excluded from the class are persons whose oil and gas lease Halcon rejected or refused to accept because of a title defect which Halcon specifically identified within the time period permitted under the Halcon Agreement.

31. The prerequisites to class certification under Fed.R.Civ.P. 23(a) are met in that:

(A) The members of the class are so numerous that joinder of all members is impractical. Plaintiffs estimate that there are approximately 1,500 or more class members. The precise number of class members and their identities can be ascertained from the records of Halcon, CX-Energy and M&P

(B) The claims of the representative plaintiffs raise questions of law and fact common to all class members. Among the questions of law and fact common to the class are the following:

(i) Whether Halcon breached the Halcon Agreement when it rejected leases from the plaintiffs and class members;

(ii) Whether Halcon breached the Halcon Agreement when it rejected leases from the plaintiffs and class members based upon geographic location;

(iii) Whether the plaintiffs and class members are third-party beneficiaries of the Halcon Agreement;

(iv) Whether Halcon had any discretionary right under the Halcon Agreement to decide to enter into oil and gas leases based upon the city, borough or township in which the land was located;

(v) Whether Halcon acted honestly and in good faith and fair dealing;

(vi) Whether by marking plaintiffs and class members' Form Leases "VOID" and returning them to CX-Energy or M&P, or otherwise purporting to reject such Form Leases, Halcon waived any right of inspection or to object based upon any purported title defect.

(vii) Whether Halcon is liable for failing to pay to plaintiffs and class members the bonus amounts contained in the oil and gas leases and orders for payment;

(viii) Whether the Halcon Agreement was an offer, and that the actions of plaintiffs and class members in executing and submitting the Form Leases and other required documents oil and gas lease constituted and acceptance;

(ix) Whether Halcon accepted in advance all oil and gas leases submitted by class members (subject only to good title) when it entered into the Halcon Agreement with CX-Energy and M&P, acting on behalf of class members; and

(x) The measure of damages.

(C) The claims of the representative plaintiffs are typical of, if not identical, to the claims of each member of the class because the representative plaintiffs and all class members executed the same core set of documents related to their oil and gas lease with Halcon, and because all class member claims are grounded in the same Halcon Agreement. The application of legal principals and proof will be the same for all class members.

(D) The representative plaintiffs will fairly and adequately protect the interests of all class members. They have retained competent counsel who are experienced in complex litigation, including class action litigation involving oil and gas leases, and who will prosecute this action vigorously. Representative plaintiffs will fairly and adequately assert and protect the interests of the class. They do not have any interests antagonistic to or in conflict with the class; their interests are antagonistic to the interests of the defendant; and they will vigorously pursue the claims of the class. Representative plaintiffs have

adequate financial resources to vigorously pursue this action, including an agreement by their counsel to prosecute this action on a contingent basis and to advance the reasonable and necessary costs and expenses of litigation.

32. Count I of this action may be maintained as a class action under Fed.R.Civ.P. 23(b)(3) because the questions of law or fact common to the class members predominate over any questions affecting only individual members, and a class action is superior to other available methods for fairly and efficiently adjudicating the controversy. The pertinent factors under Rule 23(b)(3) that demonstrate that a class action is a superior method of litigating this controversy include:

(A) The class members' interests in individually controlling the prosecution or defense of separate actions: In view of the complexity of the issues and expense of litigation, it is impractical for class members to bring separate actions, and there is no reason to believe that class members desire to proceed separately;

(B) The nature and extent of any litigation concerning the controversy already begun by or against class members: To Plaintiffs' knowledge, no other cases are pending against Halcon concerning the Class members' claims and thus, certification is appropriate here on the grounds of judicial economy. Absent class certification, a significant number of additional individual claims are likely to be filed and pursued causing a burden on judicial resources;

(C) The desirability or undesirability of concentrating the litigation of the claims in this forum: The Western District of Pennsylvania is the most desirable forum to concentrate

all litigation respecting Class member claims, because all of the disputed oil and gas leases concern land in Mercer County, PA, most of the Class member reside in this district, the transactions took place in whole or in part in this district and material witnesses, including representatives of CX-Energy and M&P, are located in this district. There is no better forum; and

(D) The likely difficulties in managing a class action: This case presents no unusual management difficulties, and to the contrary, is ideally suited to class treatment. The claims involve matters of contract based on the same or virtually identical documents, and the size of the class is too large for individual litigation, but not so large as to present an obstacle to manageability as a class action.

33. Count II of this action, seeking declaratory relief, may be maintained as a class action under Fed.R.Civ.P. 23(b)(2) because all the prerequisites of Rule 23(a) are satisfied and because Halcon has acted or refused to act on grounds that apply generally to the class so that final declaratory relief is appropriate respecting the class as a whole.

COUNT I

34. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 33 of this Complaint.

35. Under the Halcon Agreement, Halcon agreed to enter into oil and gas leases and to pay the amounts set forth in the Orders for Payment that each class member executed and tendered on a timely basis.

36. Halcon and CX-Energy and M&P intended that each plaintiff and each class

member be a third-party beneficiary under the Halcon Agreement. Plaintiffs and each class member have either privity of contract or are third party beneficiaries of the Halcon Agreement.

37. Plaintiffs and all class members are creditor beneficiaries of the Halcon Agreement.

38. Alternatively, and additionally, in entering into the Halcon Agreement, Halcon made an offer to all class members, and under the express terms of such offer, accepted in advance all oil and gas leases tendered by class members in compliance with the terms of Halcon's offer.

39. Halcon had to perform its obligations under the Halcon Agreement in good faith and consistent with its duty of fair dealing.

40. Halcon has wrongfully and without justification repudiated its obligations under the Halcon Agreement.

41. Halcon breached its duties under the Halcon Agreement.

42. Plaintiffs and each class member incurred damages as a result of Halcon's breach.

43. Halcon waived any purported right to inspect any properties or to object to any defect in title.

WHEREFORE, in accordance with the allegations of the First Claim for Relief, plaintiffs demand the following for themselves and the class against defendant Halcon:

(a) That the Court certify the class as described above;

(b) That judgment be entered in favor of plaintiffs and the class against the defendant Halcon for all compensatory losses and damages allowed by law;

(c) An award of pre-judgment and post-judgment interest at the maximum legal rate to plaintiffs and class members on their damages;

(d) That the Court award plaintiffs attorneys' fees, costs and expenses of litigation against defendant; and

(e) Such other and further relief as is just and appropriate.

COUNT II

44. Plaintiffs incorporate by reference the allegations contained in Paragraphs 1 through 43 of this Complaint.

45. Halcon breached its duties to plaintiffs and the class under the Halcon Agreement.

WHEREFORE, in accordance with the allegations of the Second Claim For Relief, plaintiffs demand the following for themselves and the class against defendant:

(a) That the Court certify the class as described above;

(b) That this Court enter judgment in favor of plaintiffs and the class against defendant Halcon declaring that it breached its duties under the Halcon Agreement to enter into oil and gas leases,

(c) That this Court award plaintiffs attorneys' fees, costs and expenses of litigation against defendant; and

(d) Such other and further relief as is just and appropriate.

JURY TRIAL DEMANDED ON ALL ISSUES

Dated: November 6, 2012

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