

**CIVIL CASE INFORMATION STATEMENT
CIVIL CASES**

IN THE CIRCUIT COURT OF WYOMING COUNTY, WEST VIRGINIA

I. Case Style:

SUMMIT RESOURCES, INC.,
a West Virginia corporation,

Case No. 14-C-60

Plaintiff(s)

Judge: McBraw

v.

**Days to
Answer**

**Type of
Service**

WILLIAM W. KELLY, JR., individually,
LEZLEI S. KELLY, individually, **CLASSIC
OIL & GAS SERVICES, INC.**, a foreign
corporation, and **CLASSIC OIL & GAS
RESOURCES, INC.**, a foreign corporation,

Defendant(s)

William W. Kelly, Jr.
1782 Maywood Court
Marco Island, Florida 34145

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Secretary of State

Lezlei S. Kelly
1782 Maywood Court
Marco Island, Florida 34145

30

Secretary of State

Classic Oil & Gas Services, Inc.
1782 Maywood Court
Marco Island, Florida 34145

30

Secretary of State

Classic Pipeline, Inc.
STANLEY WEST
HC67 BOX 783 CHARLIE HATFIELD ROAD
CLEAR FORK, WV 24822

30

Secretary of State

FILED
2014 MAR -2 P 1:25
CIRCUIT CLERK OF
WYOMING COUNTY, WV

Original Complaint and 3 copies of each Summons are furnished herewith.

PLAINTIFF(S): SUMMIT RESOURCES, INC. CASE NUMBER: 14-C-10

DEFENDANT(S): WILLIAM W. KELLY, JR., LEZLEI S. KELLY, CLASSIC OIL & GAS SERVICES, INC. and CLASSIC PIPELINE, INC.

II. TYPE OF CASE:

TORTS	OTHER	CIVIL
<input type="checkbox"/> Asbestos	<input type="checkbox"/> Adoption	<input type="checkbox"/> Appeal from Magistrate Court
<input type="checkbox"/> Professional Malpractice	<input type="checkbox"/> Contract	<input type="checkbox"/> Petition for Modification of Magistrate Sentence
<input type="checkbox"/> Personal Injury	<input type="checkbox"/> Real Property	<input type="checkbox"/> Miscellaneous Civil
<input type="checkbox"/> Product Liability	<input type="checkbox"/> Mental Health	<input checked="" type="checkbox"/> Other
<input type="checkbox"/> Other Tort	<input type="checkbox"/> Appeal of Administrative Agency	

III. JURY DEMAND: ☒ Yes ☐ No

CASE WILL BE READY FOR TRIAL BY (MONTH/YEAR): May 2015

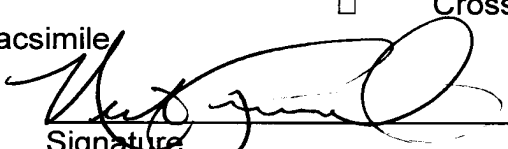
IV. DO YOU OR ANY OF YOUR CLIENTS OR WITNESSES IN THIS CASE REQUIRE SPECIAL ACCOMMODATIONS DUE TO A DISABILITY OR AGE?

☐ Yes ☒ No

- ☐ Wheelchair accessible hearing room and other facilities
- ☐ Interpreter of other auxiliary aid for the hearing impaired
- ☐ Reader or other auxiliary aid for the visually impaired
- ☐ Spokesperson or other auxiliary aid for the speech impaired
- ☐ Other: _____

FILED
2014 MAY -2 P 1:25
CIRCUIT CLERK OF
WYOMING COUNTY, WV

Attorney Name: Nicholas S. Preservati **Representing:**
Firm: Preservati Law Offices, PLLC ☒ Plaintiff
Address: P.O. Box 1431 ☐ Defendant
Charleston, West Virginia 25325 ☐ Cross-Complainant
Telephone: (304) 346-1431 ☐ Cross-Defendant
(304) 346-1744 facsimile


Signature

**IN THE CIRCUIT COURT OF WYOMING COUNTY
WEST VIRGINIA**

SUMMIT RESOURCES, INC.

a West Virginia corporation,

Plaintiff,

v.

WILLIAM W. KELLY, JR.,

individually, **LEZLEI S. KELLY,**

individually, **CLASSIC OIL & GAS
SERVICES, INC.,** a foreign corporation,

and **CLASSIC PIPELINE,
INC.,** a West Virginia corporation,

Defendants.

Civil Action No.:

14-C-60

Honorable _____

COMPLAINT

NOW COMES the Plaintiff, Summit Resources, Inc. (hereinafter, "SUMMIT"), by and through its counsel, Nicholas S. Preservati of Preservati Law Offices, and for its Complaint against the Defendants, states as follows:

THE PARTIES

1. SUMMIT is a West Virginia corporation with a principal office address of 303 Middle Collison Road, Mount Lookout, West Virginia, 26678.

2. WILLIAM W. KELLY, Jr. is an individual who resides at 300 Chippen Dale Circle, Lexington, Kentucky 40517 as well as 1782 Maywood Court, Marco Island, Florida. KELLY is the President of CLASSIC PIPELINE, INC. ("CLASSIC PIPELINE"), CLASSIC OIL & GAS SERVICES, INC. (CLASSIC SERVICES") and Classic Oil and Gas Resources, Inc. (hereinafter "CLASSIC RESOURCES").

3. LEZLEI S. KELLY is an individual who resides at 300 Chippen Dale Circle, Lexington, Kentucky 40517 as well as 1782 Maywood Court, Marco Island, Florida.

4. CLASSIC PIPELINE is a West Virginia corporation with a principal office address of 300 Chippen Dale Circle, Lexington, Kentucky 40517.

5. CLASSIC SERVICES is a Florida corporation with a principal office address of 1782 Maywood Court, Marco Island, Florida.

JURISDICTION AND VENUE

6. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs as if fully set forth hereunder.

7. Jurisdiction and venue of this action is vested in the Circuit Court of Wyoming County, as SUMMIT, WILLIAM W. KELLY, JR, CLASSIC PIPELINE and CLASSIC SERVICES have conducted, and continue to conduct business in Wyoming County, the majority of WILLIAM W. KELLY, Jr.'s, CLASSIC PIPELINE's and CLASSIC SERVICES' acts and omissions underlying this Complaint occurred in Wyoming County, and the majority of gas wells at issue in this matter are located in Wyoming County.

8. This Court also has jurisdiction over WILLIAM W. KELLY, JR., LEZLEI S. KELLY, and CLASSIC SERVICES pursuant to W.Va. Code §56-3-33(a)(1), (2), (3), (4), and (6).

GENERAL STATEMENT OF FACTS

9. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs as if fully set forth hereunder.

10. On October 1, 2006, SUMMIT entered into an oil and gas operating agreement with CLASSIC RESOURCES (hereinafter, the "Agreement"). Pursuant to the Agreement, CLASSIC

RESOURCES was the "Operator" responsible for the development, operation and maintenance of the oil and gas wells subject to the Agreement.

11. SUMMIT owned a significant interest in multiple oil and gas wells subject to the Agreement. Per the Agreement, SUMMIT was liable for its proportionate share of the costs of developing, operating and maintaining the oil and gas wells subject to the Agreement.

12. The wells that SUMMIT invested in were divided into three separate programs. There were seven (7) wells drilled under the Yukon Program, eight (8) wells drilled under the Clear Fork Program, and eleven (11) wells drilled under the Oceana Program.

13. WILLIAM W. KELLY, JR. represented to SUMMIT that it would recoup a full return upon its investment in the 26 wells within three years. WILLIAM W. KELLY, JR. also represented to SUMMIT that all 26 wells had an Estimated Ultimate Recovery (EUR) that justified SUMMIT's financial investment in the wells.

14. CLASSIC misrepresented the EUR and economic viability of the wells. Of the Oceana Program Wells, seven (7) of the eleven (11) wells should not have been drilled. None of the eight (8) Clear Fork Program Wells had an EUR to justify their drilling. Only two (2) of the seven (7) Yukon Program Wells had EUR's to justify their drilling.

15. After five of the Oceana Program Wells had been drilled, WILLIAM W. KELLY, JR. solicited SUMMIT's purchase of an additional 6.92 % interest in those wells (Jewell 1, Cook 2, Bolen 1, Lamb 1 and Hatfield 1). In order to obtain SUMMIT's additional investment, WILLIAM W. KELLY, JR. represented that the wells were very economical and that SUMMIT would again recoup its entire investment in two to three years.

16. WILLIAM W. KELLY, JR. obtained reserve studies that measured the EUR for the 26 Summit Wells in 2007, 2008, and 2009. WILLIAM W. KELLY, JR. did not provide these reserve reports to SUMMIT prior to soliciting SUMMIT'S investments in the respective wells.

17. In 2009 when WILLIAM W. KELLY, JR. represented to SUMMIT that it was a good investment to purchase the additional 6.92% in the Oceana Program Wells, WILLIAM W. KELLY, JR. was in possession of Reserve Reports that showed the exact opposite, namely, that at least four (4) of the five (5) wells had EUR's substantially lower than that needed to justify additional investment in the wells. WILLIAM W. KELLY, JR. withheld this information in order to get SUMMIT to further invest in the Oceana Program Wells.

18. CLASSIC RESOURCES and SUMMIT entered into turnkey contracts for the construction of the twenty-six (26) wells. CLASSIC RESOURCES agreed to provide numerous components and services as part of the fixed costs of drilling the Oceana Program Wells. The total projected cost of each Oceana Program Well was \$380,060. SUMMIT agreed to the turnkey contract for the Oceana Program Wells and funded its portion of the drilling costs.

19. As part of the turnkey project, CLASSIC RESOURCES agreed to drill the Ocean Program Wells to a depth of 4,200 feet at a cost of \$21.00 per foot. However, CLASSIC RESOURCES only drilled the Oceana Program Wells to an average depth of 3,900 feet. This resulted in an overpayment of approximately \$6,200 per well to CLASSIC RESOURCES and a total overpayment of \$68,200 by CLASSIC RESOURCES' investors.

20. CLASSIC RESOURCES also agreed to install 300 feet of surface casing per well at a cost of \$4,350 per well. CLASSIC RESOURCES also agreed to cement the surface casing at a cost of \$8,500 per well. In 10 of the 11 Oceana Program Wells, CLASSIC RESOURCES installed zero feet of surface casing and used no cement for the surface casing. For each of those 10 wells,

CLASSIC RESOURCES received \$12,850 for work it promised to perform but did not. That resulted in an overpayment to CLASSIC RESOURCES of \$128,500 by CLASSIC RESOURCES' investors.

21. CLASSIC RESOURCES also agreed to install 1,200 feet of intermediate casing per well. However, it only installed an average of 969 feet of casing per well. Therefore, CLASSIC RESOURCES was paid approximately \$1,756 per well for intermediate casing that it did not install. CLASSIC RESOURCES received a total overpayment of \$19,316 by CLASSIC RESOURCES' investors.

22. CLASSIC RESOURCES charged its investors for installing 4,200 feet of production casing in each Oceana program well, when it only installed an average of 3,850 feet per well. As a result, CLASSIC RESOURCES received approximately \$1,959 per well for production casing that it did not install. CLASSIC RESOURCES received a total overpayment of \$21,549 by CLASSIC RESOURCE'S investors.

23. WILLIAM W. KELLY, JR. knew that CLASSIC RESOURCES was overcharging its investors. For example, on September 16, 2009 SUMMIT paid CLASSIC RESOURCES \$96,200 to purchase an additional 6.923% working interest in the Jewell 1, Hatfield 1, Bolen 1, Lamb 1, and Cook 2. (\$19,240 per well). On that same date, SUMMIT paid CLASSIC RESOURCES \$33,800 for an additional 11.948% working interest in the Cook 1 well. These payments represented SUMMIT'S increased share of the projected total well cost of \$380,060 per well.

24. When CLASSIC RESOURCES charged SUMMIT for its purchase of additional working interests and its increased share of the proposed well costs for the six wells on September 16, 2009, WILLIAM W. KELLY, JR. had actual knowledge that it was overcharging SUMMIT for the drilling of the wells. For example, the Jewell #1 well was completed on June 4,

2007. As of that date, WILLIAM W. KELLY, JR. knew that the well had been drilled to a total depth of 3,856' instead of 4,200'. He also knew that no 9 5/8" casing was used in the well. He also knew that only 800' of 7" casing was used in the well instead of the estimated 1,200' of casing. Finally, he knew that only 3,843' of 4 1/2" casing was used in the well instead of 4,200 feet. Despite having this knowledge, when CLASSIC RESOURCES charged SUMMIT for its newly acquired working interest and increased share of the proposed well cost, it charged SUMMIT for: 1) drilling the well to a total depth of 4,200'; 2) 300' of 9 5/8" casing; 3) 1,200' of 7" casing; and 4) 4,200' of 4 1/2 " casing. CLASSIC RESOURCES charged SUMMIT for these items knowing full well that the items had not been used in the construction of the well. WILLIAM W. KELLY, JR. engaged in the same conduct for the Hatfield 1, Bolen 1, Lamb 1, and Cook 1, and Cook 2 wells.

25. The total projected cost of each Clear Fork Program Well was \$412,350. SUMMIT agreed to the turnkey contract for the Clear Fork Program Wells and funded its portion of the drilling costs.

26. As part of the turnkey project, CLASSIC RESOURCES agreed to drill the Clear Fork Program Wells to a depth of 5,300 feet at a cost of \$21.00 per foot. However, CLASSIC RESOURCES only drilled the Clear Fork Program Wells to an average depth of 5,191 feet. This resulted in an overpayment of approximately \$2,291 per well to CLASSIC RESOURCES. The total overpayment for drilling costs was \$18,328 by CLASSIC RESOURCES' investors.

27. CLASSIC RESOURCES also agreed to install 300 feet of surface casing per well at a cost of \$4,350 per well. CLASSIC RESOURCES also agreed to cement the surface casing at a cost of \$8,500 per well. In 4 of the 8 Clear Fork Program Wells, CLASSIC RESOURCES installed zero feet of surface casing and used no cement for the surface casing. For each of those 4 wells, CLASSIC RESOURCES received \$12,850 for work it promised to perform but did not. That

resulted in an overpayment to CLASSIC RESOURCES of \$51,400 by CLASSIC RESOURCES' investors.

28. WILLIAM W. KELLY, JR. knew that CLASSIC RESOURCES was overcharging its investors under the Clear Fork Program. For example, on December 27, 2006 SUMMIT purchased a one-percent (1%) working interest in the eight (8) Clear Fork Program Wells. At that time, CLASSIC RESOURCES charged SUMMIT for its proportionate share of the estimated total well costs. The estimated costs included costs for drilling the wells to a depth of 5,300 feet, using 300 feet of 9 5/8" casing, 1,300 feet of 7" casing and 5,100 feet of 4 1/2" casing.

29. The Short #1 well was completed on July 6, 2006, more than five months prior to SUMMIT'S investment in the well. The well was drilled to a total depth of 5,046' instead of 5,300'. Only 199' of 9 5/8" casing was used instead of 300'. Only 930' of 7" casing was used instead of 1,300'. Finally, only 4997' of 4 1/2" casing was used instead of 5,100'. Despite WILLIAM W. KELLY, JR. knowing this information on July 6, 2006, when CLASSIC RESOURCES charged SUMMIT for its share of the well construction costs on December 27, 2006, it charged SUMMIT for: 1) drilling the well to a depth of 5,300; 2) using 300' of 9 5/8" casing; 3) using 1,300' of 7" casing; and 4) using 5,100' of 4 1/2" casing.

30. Not only did WILLIAM W. KELLY, JR. know that CLASSIC RESOURCES was overcharging SUMMIT, WILLIAM W. KELLY, JR. tried to conceal that fact from SUMMIT. CLASSIC RESOURCES is legally obligated to file a FORM WR-35 within ninety (90) days of completing a well. As part of that form, CLASSIC RESOURCES is to identify the total depth of the well and the amount and size of the various casing used in constructing the well. Therefore, CLASSIC RESOURCES was required to file its WR-35 for the Short #1 well by the first week of October, 2006. It did not. Instead, WILLIAM W. KELLY, JR. waited to file the WR-35 until after

SUMMIT had paid for its proportionate share of the inflated well costs. CLASSIC RESOURCES did not file its WR-35 with the WVDEP until March 1, 2007. WILLIAM W. KELLY, JR. engaged in a similar course of conduct for each of the Clear Fork Program Wells.

31. The total projected cost of each Yukon Program Well was \$442,000. SUMMIT agreed to the turnkey contract for the Yukon Program Wells and funded its portion of the drilling costs.

32. As part of the turnkey project, CLASSIC RESOURCES agreed to drill the Yukon Program Wells to a depth of 6,300 feet at a cost of \$21.00 per foot. However, CLASSIC RESOURCES only drilled the Yukon Program Wells to an average depth of 6,042 feet. This resulted in an overpayment of approximately \$5,403 per well to CLASSIC RESOURCES for a total of \$37,821.

33. CLASSIC RESOURCES also agreed to install 300 feet of surface casing per well at a cost of \$4,350 per well. CLASSIC RESOURCES also agreed to cement the surface casing at a cost of \$8,500 per well. In 5 of the 7 Yukon Program Wells, CLASSIC RESOURCES installed zero feet of surface casing and used no cement for the surface casing. For each of those 5 wells, CLASSIC RESOURCES received \$12,850 for work it promised to perform but did not. That resulted in an overpayment to CLASSIC RESOURCES of \$64,250 by CLASSIC RESOURCES' investors.

34. CLASSIC RESOURCES also agreed to install 1,800 feet of intermediate casing per well. However, it only installed an average of 1,451 feet of casing per well. Therefore, CLASSIC RESOURCES was paid approximately \$2,625 per well for intermediate casing that it did not install. The total overpayment was \$18,375 by CLASSIC RESOURCES' investors.

35. CLASSIC RESOURCES charged its investors for installing 6,300 feet of production casing in each Yukon Program Well, when it only installed an average of 5,972 feet per well. As a result, CLASSIC RESOURCES received approximately \$1777 per well for production casing that it did not install. The total overpayment for production casing for the Yukon Program Wells was \$12,439 by CLASSIC RESOURCES' investors.

36. WILLIAM W. KELLY, JR. knew that CLASSIC RESOURCES was overcharging its investors under the Yukon Program. For example, on December 27, 2006 SUMMIT purchased a one-percent (1%) working interest in the seven (7) Yukon Program Wells. At that time, CLASSIC RESOURCES charged SUMMIT for its proportionate share of the estimated total well costs. The estimated costs included costs for drilling the wells to a depth of 6,300 feet, using 300 feet of 9 5/8" casing, 1,800 feet of 7" casing and 6,300 feet of 4 1/2" casing.

37. The PCT 146 well was completed on May 30, 2006, almost seven months prior to SUMMIT'S investment in the well. The well was drilled to a total depth of 5,667' instead of 6,300'. No 9 5/8" casing was used. Only 1,309' of 7" casing was used instead of 1,800'. Finally, only 5,612' of 4 1/2" casing was used instead of 6,300'. Despite knowing this information on May 30, 2006, when CLASSIC RESOURCES charged SUMMIT for its share of the well construction costs on December 27, 2006, it charged SUMMIT for: 1) drilling the well to a depth of 6,300; 2) using 300' of 9 5/8" casing; 3) using 1,800' of 7" casing; and 4) using 6,300' of 4 1/2" casing.

38. Not only did WILLIAM W. KELLY, JR. know that CLASSIC RESOURCES was overcharging SUMMIT, it tried to conceal that fact from SUMMIT. CLASSIC RESOURCES was required to file its WR-35 for the PCT 146 well by the end of August, 2006. It did not. Instead, WILLIAM W. KELLY, JR. waited to file the WR-35 until after SUMMIT had paid for its proportionate share of the inflated well costs. CLASSIC RESOURCES signed its WR-35 on July

20, 2007 and held it without filing it until May 5, 2009. WILLIAM W. KELLY, JR. engaged in a similar course of conduct for each of the Yukon Program Wells.

39. The total amount of footage drilling costs, casing and cement that CLASSIC RESOURCES agreed to provide, was paid to provide by its investors, and yet did not provide was \$440,178.

40. WILLIAM W. KELLY, JR. operated the 26 wells in a manner to maximize the income to himself and to fund CLASSIC RESOURCES day-to-day operations to the detriment of its individual investors. WILLIAM W. KELLY, JR. routinely operated the wells at break-even or even at a loss, just so he could collect the Gathering Fees, Lease Maintenance Fees, Contract Labor Fees and COPAS Overhead Fees.

41. For example, in April of 2012, the gross revenue from the 26 SUMMIT wells was \$20,909.23. Of that amount, SUMMIT's net revenue was \$191.14, or nine-tenths of one-percent (0.9%) of the gross.

42. During the month of April, 2012 twelve (12) of the twenty-six (26) wells were operated at a loss. Another ten (10) of the wells generated net revenue of less than \$8.00 for the entire month. Combined, these twenty-two (22) wells generated total net revenue of \$18.87 for the month of April, 2012. During that same month, CLASSIC RESOURCES accrued Lease Maintenance Fees, Contract Labor Fees, and COPAS Overhead Fees of \$6,018.96 from the same twenty-two wells that generated Summit \$18.87 in total revenue.

43. CLASSIC RESOURCES and CLASSIC PIPELINE entered into a Gas Gathering Agreement on April 1, 2004. Under this Gas Gathering Agreement, CLASSIC PIPELINE agreed to gather the gas produced by the SUMMIT wells and transport it through its pipeline gathering network to end-users.

44. CLASSIC RESOURCES filed for Chapter 7 bankruptcy on April 1, 2014. Shortly thereafter, CLASSIC RESOURCES unilaterally entered into an agreement with CLASSIC SERVICES wherein CLASSIC SERVICES took over operating the SUMMIT WELLS.

45. CLASSIC RESOURCES was contractually prohibited from changing the operator of the SUMMIT WELLS without the consent of the entities holding a majority interest in the SUMMIT WELLS. WILLIAM W. KELLY, JR. entered into the contract on behalf of CLASSIC RESOURCES and CLASSIC SERVICES so that CLASSIC SERVICES could continue to siphon assets and revenue from the SUMMIT WELLS.

46. WILLIAM W. KELLY, JR., LEZLEI S. KELLY, CLASSIC SERVICES, CLASSIC RESOURCES and CLASSIC PIPELINE devised a plan wherein WILLIAM W. KELLY, JR. would take resources and assets out of CLASSIC RESOURCES to use them to fund construction of CLASSIC PIPELINE'S pipeline network. CLASSIC PIPELINE obtained a loan from the Bank of Mingo to fund the construction of CLASSIC PIPELINE'S pipeline network. However, WILLIAM W. KELLY, JR. and CLASSIC RESOURCES deducted revenue from the SUMMIT WELLS to repay the Bank of Mingo loan on behalf of CLASSIC PIPELINE. CLASSIC PIPELINE's pipeline network was fraudulently constructed using funds that were deducted from the SUMMIT WELLS revenues.

47. WILLIAM W. KELLY, JR. LEZLEI S. KELLY, CLASSIC PIPELINE, CLASSIC SERVICES and CLASSIC RESOURCES conspired with each other to enact a plan wherein WILLIAM W. KELLY, JR. and CLASSIC RESOURCES would overcharge SUMMIT in order to increase the amount of assets and revenues that could be funneled out of CLASSIC RESOURCES to CLASSIC PIPELINE, WILLIAM W. KELLY, JR. and LEZLEI S. KELLY.

48. WILLIAM W. KELLY, JR. and LEZLEI S. KELLY fraudulently funneled revenue out of CLASSIC RESOURCES and used the revenue to purchase assets in their individual names in an attempt to shield the revenues and assets from CLASSIC RESOURCES' creditors.

COUNT I
(Fraud – Initial Purchase of Working Interests)

49. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs, as if fully set forth hereunder.

50. In the fall of 2006, WILLIAM W. KELLY, JR. solicited SUMMIT for the purposes of investing in the Yukon Program Wells, the Clear Fork Program Wells; and five wells within the Oceana Program (Jewell 1, Cook 2, Bolen 1, Lamb 1 and Hatfield 1).

51. WILLIAM W. KELLY, JR. advised SUMMIT that its investment in the Yukon wells, the Clear Fork Wells, and the five (5) Oceana wells were "as near as a sure thing as there is" and that SUMMIT would recoup its total investment in the wells within three (3) years. WILLIAM W. KELLY, JR. continuously represented that, based upon its research and production data, that these wells were a sound financial investment due to the amount of gas they would be able to produce over their respective lifetimes.

52. Based upon WILLIAM W. KELLY, JR.'s representations, SUMMIT purchased a 1% working interest in the Yukon and Clear Fork wells, and a 70% working interest in the five (5) Oceana wells.

53. WILLIAM W. KELLY, JR.'s representations to SUMMIT that the wells were sound financial investments based upon the amount of gas they would be able to produce over their respective lifetimes were material and false.

54. SUMMIT reasonably relied upon WILLIAM W. KELLY, JR.'s materially false representations and was significantly damaged as a result of its reasonable reliance.

COUNT II

(Fraud – Subsequent Purchase of Working Interests)

55. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs, as if fully set forth hereunder.

56. In 2009, WILLIAM W. KELLY, JR. solicited SUMMIT for the purposes of investing in five (5) more Oceana wells (D.R. Toler 1, Bryant 1, Jackson 1, Fox 2 and Fields 1) as well as purchasing additional working interests in the original five (5) Oceana wells (Jewell 1, Cook 2, Bolen 1, Lamb 1 and Hatfield 1).

57. WILLIAM W. KELLY, JR. advised SUMMIT that its further investment in the ten (10) Oceana wells was a sound financial investment due to the amount of gas they would be able to produce over their respective lifetimes, and again, that the financial success of SUMMIT's investment was "practically a sure thing."

58. Based upon WILLIAM W. KELLY, JR.'s material representations, SUMMIT purchased a 9% working interest in the five new Oceana wells and an additional 6.92% working interest in the original five (5) Oceana wells.

59. WILLIAM W. KELLY, JR.'s representations to SUMMIT that the wells were sound financial investments based upon the amount of gas they would be able to produce over their respective lifetimes were material and false. Based upon the information in its possession at the time it made these representations to SUMMIT, WILLIAM W. KELLY, JR. knew that the ten Oceana wells had EUR's significantly below the level necessary to justify investing in their further production.

60. SUMMIT reasonably relied upon WILLIAM W. KELLY, JR.'s materially false representations and was significantly damaged as a result of its reasonable reliance.

COUNT III

(Fraud – Drilling of Wells)

61. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs, as if fully set forth hereunder.

62. WILLIAM W. KELLY, JR. represented to SUMMIT that CLASSIC RESOURCES would construct each of the 26 SUMMIT wells for a fixed priced based upon numerous itemized projections.

63. Based upon WILLIAM W. KELLY, JR.'s material representations, SUMMIT pre-paid CLASSIC RESOURCES for its proportionate share of the itemized projected costs.

64. WILLIAM W. KELLY, JR.'s representations that CLASSIC RESOURCES would provide the items in the turn-key contract for a fixed price were false, as CLASSIC RESOURCES failed to provide many of the items that were pre-paid by SUMMIT.

65. SUMMIT reasonably relied upon WILLIAM W. KELLY, JR.'s materially false representations and was significantly damaged as a result of its reasonable reliance.

COUNT IV

(Fraud – Operation of the Wells)

66. SUMMIT adopts and incorporates, by reference, all of the proceeding paragraphs as if fully set forth hereunder.

67. WILLIAM W. KELLY, JR. represented that the COPAS charge deducted from the SUMMIT WELLS' revenues would be used to fund CLASSIC RESOURCES' overhead and administrative costs of operating the SUMMIT WELLS.

68. SUMMIT reasonably relied upon WILLIAM W. KELLY, JR.'s material representations and agreed to pay the COPAS fees for each of the SUMMIT WELLS.

69. WILLIAM W. KELLY, JR. and CLASSIC PIPELINE fraudulently deducted the COPAS fee from the SUMMIT WELLS and used a portion of the COPAS FEE to pay CLASSIC PIPELINE'S loan payments to the Bank of Mingo.

70. SUMMIT was damaged as a result of WILLIAM W. KELLY, JR. and CLASSIC PIPELINE'S fraudulent conduct.

COUNT IV
(Civil Conspiracy)

71. WILLIAM W. KELLY, JR., LEZLEI S. KELLY, CLASSIC SERVICES and CLASSIC PIPELINE conspired with CLASSIC RESOURCES to engage in the aforementioned fraudulent conduct in order to defraud SUMMIT for the benefit of CLASSIC PIPELINE, WILLIAM W. KELLY, JR. and LEZLEI S. KELLY.

72. CLASSIC PIPELINE, WILLIAM W. KELLY, JR. and LEZLEI S. KELLY engaged in unlawful acts and lawful acts in an unlawful manner to the detriment of SUMMIT in order to effectuate its fraudulent conspiracy.

DAMAGES

WHEREFORE, SUMMIT demands judgment against WILLIAM W. KELLY, JR. and CLASSIC PIPELINE for damages and relief as follows:

- a. All compensatory damages to which SUMMIT is entitled;
- b. Punitive Damages;
- c. Attorney's fees and costs;
- d. All statutory relief to which SUMMIT is entitled;
- e. All legal relief to which SUMMIT is entitled;
- f. All equitable relief to which SUMMIT is entitled;
- g. Pre-judgment and post-judgment interest; and

h. Any and all other relief this Honorable Court deems appropriate.

SUMMIT demands a trial by jury upon all issues triable by a jury raised herein.

Plaintiff,

SUMMIT RESOURCES, INC.

By Counsel,



Nicholas S. Preservati (WV Bar #8050)

PRESERVATI LAW OFFICES PLLC

P.O. Box 1431

Charleston, WV 25325

(304) 346-1431 *office*

(304) 346-1744 *facsimile*

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2014 MAY -2 P 1:25
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WYOMING COUNTY, WV