

IN THE CIRCUIT COURT OF WYOMING COUNTY, WEST VIRGINIA  
BUSINESS COURT DIVISION

SUMMIT RESOURCES, INC.  
a West Virginia corporation,

Plaintiff,

v.

CLASSIC OIL & GAS SERVICES,  
INC., a foreign corporation and  
CLASSIC PIPELINE, INC., a  
West Virginia corporation,

Defendants.

Civil Action No.: 14-C-60

Honorable Paul T. Farrell

**ORDER GRANTING EMERGENCY MOTION FOR CHANGE OF OPERATOR**

On November 7, 2016 came the Plaintiff, Summit Resources, Inc. (hereinafter, "Summit"), by and through its counsel, Nicholas S. Preservati of Spilman Thomas and Battle, PLLC; also came Defendant, Classic Oil & Gas Services, Inc. (hereinafter, "Classic Services") by the law firm of Bailey & Wyant, PLLC, for a hearing on Summit's Emergency Motion for Change of Operator. Having been fully advised by Counsel, this Court has determined that Summit's Emergency Motion for Change of Operator should be granted.

**FINDINGS OF FACT**

1. Classic Oil & Gas Resources, Inc. ("Classic Resources") entered into a Model Form Operating Agreement with Summit on October 1, 2006 (hereinafter, "Operating Agreement"). Pursuant to Article V of the Operating Agreement, Classic Resources was designated as the Operator of the various oil and gas wells listed in Exhibit A of the Operating Agreement.

2. Paragraph B.1. of Article V identifies when the Operator may resign or be removed. That paragraph reads in part:

If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator, Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor...Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based upon ownership as shown on "Exhibit A" remaining after excluding the voting interest of Operator.

3. Paragraph B.2. of Article V sets forth the process of selecting a new Operator once the previous Operator has been removed or has resigned. That paragraph reads in part:

Upon the resignation or removal of operator, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two or more parties owning a majority interest based on ownership as shown on Exhibit "A".

4. Classic Resources filed for Chapter 7 Bankruptcy in the United States District Court for the Eastern District of Kentucky, Case No. 14-50806. Pursuant to a motion by the bankruptcy trustee, the bankruptcy court authorized the trustee to assign Classic Resources' Operating Agreements to Classic Services, effective February 1, 2014. According to the Order, Classic Services became the Operator under each of the Operating Agreements.

5. Classic Services was a Kentucky corporation owned one hundred percent (100%) by William W. Kelly, Jr. Classic Services' state of incorporation was later moved to Florida.

6. Classic Services was administratively dissolved by the State of Florida on September 23, 2016. The Commonwealth of Kentucky also revoked Classic Service's authority to transact business on October 1, 2016.

7. Classic Services is not registered with the West Virginia Secretary of State and has not obtained a certificate of authority from the West Virginia Secretary of State authorizing it to conduct business in West Virginia.

8. Eagle Energy, Inc. is an investor in numerous gas wells operated by Classic Services. Classic Services contracted with Eagle Energy, Inc. for Eagle Energy, Inc. to act as a "sub-operator" of the gas wells in which Eagle Energy, Inc. owned a majority interest.

9. Eagle Energy, Inc. confirmed with Plaintiff's Counsel via telephonic conference that it is not the operator for the following wells (hereinafter referred to as the "Summit Wells"):

<u>Well</u>	<u>API Number</u>
Jewell 1	47-109-02827
Hatfield 1	47-109-02779
Bolen 1	47-109-02834
Lamb 1	47-109-02829
L. Cook 1	47-109-02843
L. Cook 2	47-109-02861

10. Summit owns a seventy-seven percent (77%) working interest in all of the Summit Wells except the L. Cook 1. It owns a fifty-two percent (52%) working interest in the L. Cook 1 well.

11. Mr. Danny Webb is the President of Whitney Well Services, Inc. Whitney Well Services, Inc. owns a fifteen percent (15%) working interest in the Summit Wells.

12. With their ownership interests combined, Summit and Whitney Well Services, Inc. account for a majority of the working interest, as well as a majority of the net royalty interest of the Summit Wells.

13. Classic Services previously agreed to transfer operatorship of the Summit Wells. However, Classic Services failed to finalize the transfer.

14. Summit has voted to remove Classic Services as Operator of the Summit Wells. Whitney Well Services, Inc. has also voted to remove Classic Services as Operator of the Summit Wells.

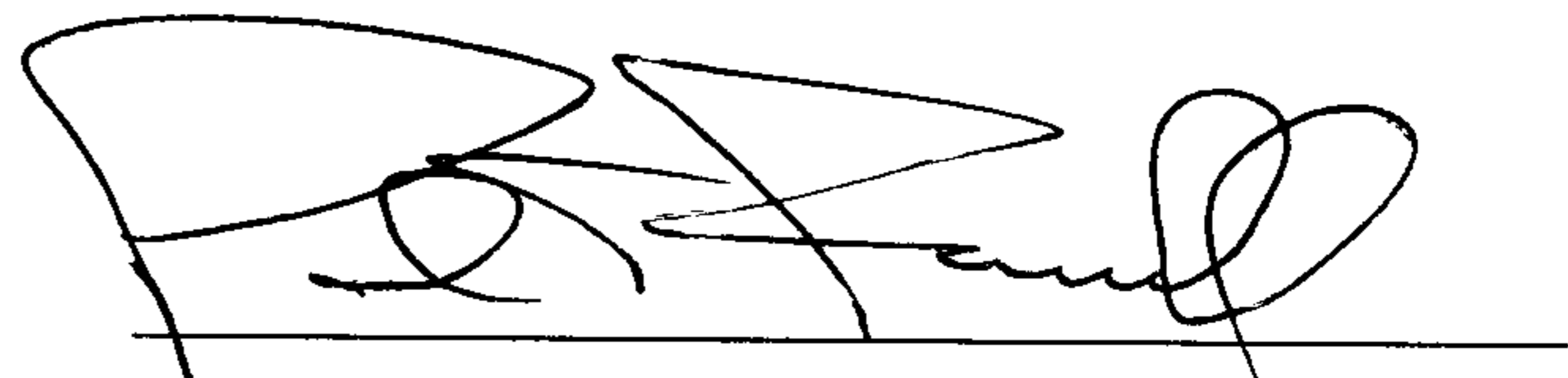
15. Summit has voted to replace Classic Services as Operator of the Summit Wells with Smith Land Surveying, Inc. ("SLS"). Whitney Well Services, Inc. has also voted to replace Classic as Operator of the Summit Wells with SLS.

Therefore, it is hereby **ORDERED** that Classic Services is removed as operator of the Summit Wells and is replaced as operator by SLS.

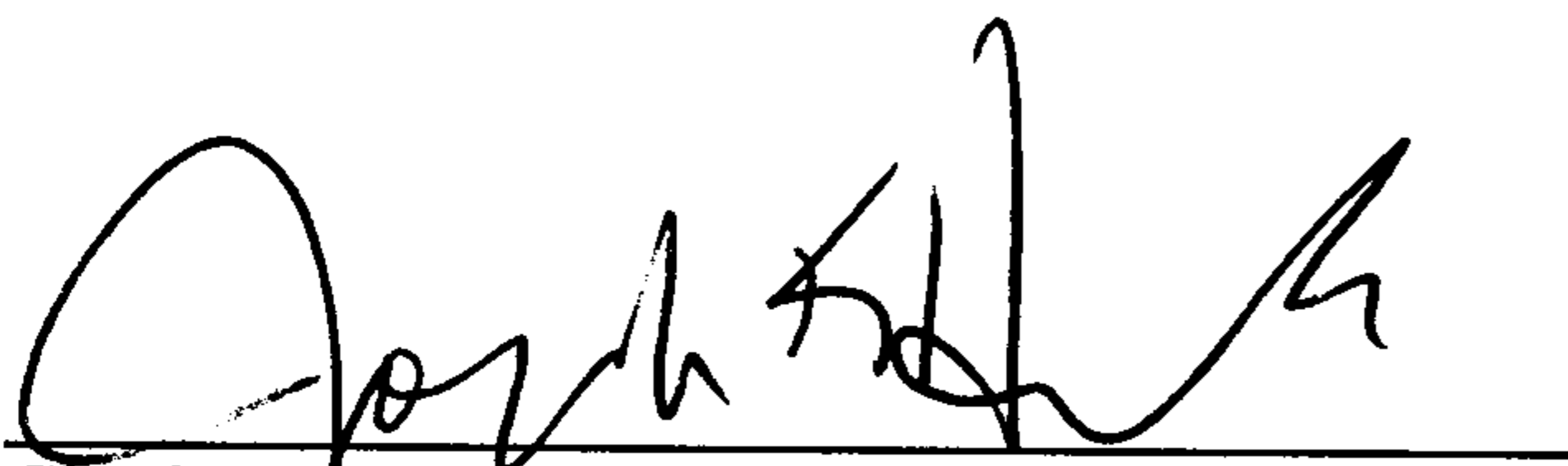
The Clerk is directed to send certified copies of this Order to all counsel of record.

All of which is accordingly **ORDERED**.

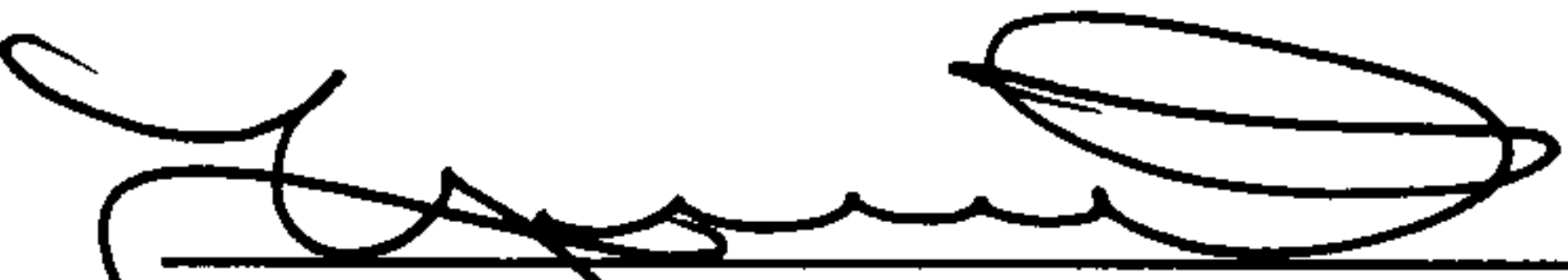
Entered this 7th day of November, 2016.



HONORABLE PAUL T. FARRELL



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