IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NORTH DAKOTA
WESTERN DIVISION

ROBERT AND LORI ARNSON MINERALS LLC, on behalf of itself and a class of similarly situated persons,	)	
Plaintiff	)	**Civil Action No.:**
v.	)	
MARATHON OIL COMPANY	)	
Defendant.	)	

CLASS ACTION COMPLAINT AND DEMAND FOR JURY TRIAL

Plaintiff Robert and Lori Arnson Minerals LLC ("Plaintiff"), on behalf of itself and the Class defined below, for its Class Action Complaint and Demand for Jury Trial ("Complaint") against Defendant Marathon Oil Company ("Marathon"), alleges:

JURISDICTION AND VENUE

1. This Court has subject matter jurisdiction over this class action under the Class Action Fairness Act, 28 U.S.C. § 1332(d), because: (a) Plaintiff has brought this case as a class action; (b) the Class proposed by Plaintiff exceeds 100 members; (c) the proposed Class contains at least one Class member who is a citizen of a state different from the states where Marathon is deemed to be a citizen; and (d) the amount in controversy on the claims of the proposed Class members exceeds the sum of $5,000,000, exclusive of interest and costs.

2. This Court has personal jurisdiction over Marathon because Marathon has conducted substantial business in the State of North Dakota, and because a substantial portion of the acts and

conduct of Marathon giving rise to the claims asserted in this class action occurred in the State of North Dakota.

3. Pursuant to 28 U.S.C. § 1391, venue is proper in this judicial district because a substantial part of Marathon's conduct giving rise to the claims alleged in this class action occurred in this judicial district.

PARTIES

4. Plaintiff is a limited liability company organized under the laws of the State of North Dakota, and its principal place of business is located at 15084 68th Street Northwest, Williston, North Dakota 58801.

5. Defendant Marathon is an Ohio corporation, with its principal place of business located at 5555 San Felipe Street, Houston, Texas 77056.

CLASS DEFINITION

6. Plaintiff brings this class action on behalf of itself and a Class of similarly situated persons consisting of:

> All persons to whom Marathon has paid royalties on oil produced from wells located in the State of North Dakota since March 1, 2011 pursuant to leases or overriding royalty agreements which require Marathon to deliver to the credit of Lessor "free of cost, in the pipe line to which Lessee may connect wells on said land, the equal [a specified percentage] of all oil produced and saved from the leased premises."
>
> The Class excludes: (a) the United States; and (b) Marathon and its affiliated entities, and their respective employees, officers and directors.

FACTUAL ALLEGATIONS

7. On November 3, 2009, Robert Arnson, as lessor, entered into an oil and gas lease with Kasmer & Aafedt Oil, Inc.("Kasmer"), as lessee, pertaining to leased premises located in the State

of North Dakota (Williams County Recorder of Deeds Number 6777604, the "Arnson Lease") (Exhibit 1). On May 2, 2012, Robert Arnson assigned his lessor's interests under the Arnson Lease to Plaintiff. Plaintiff has owned the lessor's interests under the Arnson lease at all times since May 2, 2012.

8. On or around December 28, 2009, Marathon acquired the lessee's interests under the Arnson Lease from Kasmer, and has owned the lessee's interests under the Arnson Lease at all times since December 28, 2009.

9. The Arnson lease includes an oil royalty provision which states:

> In consideration of the premises the said Lessee covenants and agrees: 1st To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal 3/16TH (THREE SIXTEENTH) part of all oil produced and saved from the leased premises.

10. At various times since Marathon acquired its lessee's interests under the Arnson Lease, Marathon has produced and sold oil from wells subject to the Arnson Lease, and has paid royalties to Plaintiff on such oil production.

11. Marathon has not delivered any oil in kind to Plaintiff from wells subject to the Arnson Lease.

12. At various times since acquiring its lessee's interests, Marathon, in its calculation and payment of royalties to Plaintiff on oil sales subject to the Arnson Lease, has improperly deducted from the sales price of the oil various costs related to transporting the oil from the well to and through a transportation pipeline, or related to transporting the oil to a delivery point where the oil has been sold to third parties. On information and belief, Marathon has also improperly deducted other costs not permitted under the terms of the Arnson Lease. The costs which Marathon has improperly deducted from the sales price of the oil have included costs which Marathon, in its royalty statements sent to Plaintiff, describes as "PTPC – Pipeline/Transporter/Purchasing Costs."

13. Marathon's deduction of the above-referenced costs in its calculation of royalties paid to Plaintiff on oil sales is not permitted under the oil royalty provision referenced in Paragraph 9 of this Complaint, and Marathon has materially breached its contractual obligations to Plaintiff under the Arnson Lease by taking such deductions in its calculation and payment of oil royalties to Plaintiff.

14. Plaintiff has sustained substantial damages as a result of Marathon's breach of its contractual obligations to Plaintiff under the Arnson Lease.

15. In addition to Plaintiff, each member of the proposed Class has an interest in a lease or overriding royalty agreement which contains or is subject to the same oil royalty provision that is set forth in the Class definition, and under which Marathon has owned the lessee's interests, or with respect to overriding royalty agreements, has been obligated to pay royalties to the owner of the overriding royalty interest. Marathon, in its calculation and payment of royalties on oil sales to the members of the Class, has engaged in the same method of royalty accounting which it utilizes to pay royalties to Plaintiff on oil sales, in that Marathon has deducted from the sales price of the oil the various costs referenced in Paragraph 12 of this Complaint at various times since March 1, 2011.

16. Upon information and belief, Marathon has not delivered any oil in kind to any member of the proposed Class from wells subject to the leases or overriding royalty agreements described in the Class definition set forth in Paragraph 6 of this Complaint.

17. Marathon, in deducting the above-referenced costs in its calculation of royalties paid to the Class members on oil sales, has materially breached its contractual obligations to the Class members under the leases and overriding royalty agreements described in the Class definition set forth in Paragraph 6 of this Complaint.

18. As a direct result of Marathon's breach of its contractual obligations to the members of the Class, the royalties owed to the Class members have been substantially underpaid, and the Class members have sustained substantial damages.

CLASS ACTION ALLEGATIONS

19. Pursuant to Fed.R.Civ.P.23(a)(1) the proposed Class, which consists of more than one thousand persons, is so numerous that joinder of all Class members in this litigation is impracticable.

20. Pursuant to Fed.R.Civ.P. 23(a)(2), there are questions of law and fact common to the claims of the Class members against Marathon, including, but not limited to:

A. Whether Marathon's deduction of the above-referenced costs in its calculation of oil royalties paid to the Class members is a material breach of Marathon's obligations to the Class members under the leases and overriding royalty agreements at issue;

B. The proper method for calculating the royalty underpayments resulting from Marathon's improper deduction of the above-referenced costs from the sales price of the oil in its payment of royalties to the Class members;

C. Whether, and to what extent, Plaintiff and the Class are entitled to recover prejudgment interest on the amount of royalties which Marathon has underpaid; and

D. The correct method for Marathon's calculation and payment of future royalties to Plaintiff and the Class.

21. Pursuant to Fed.R.Civ.P. 23(a)(4), the claims of Plaintiff against Marathon are typical of the claims of the Class members against Marathon.

22. Pursuant to Fed.R.Civ.P. 23(a)(4), Plaintiff will fairly and adequately protect the interests of the Class members regarding their claims against Marathon.

23. Pursuant to Fed.R.Civ.P. 23(b)(3), the questions of law or fact common to the members of the Class predominate over any individual questions of fact or law which may exist.

24. Pursuant to Fed.R.Civ.P. 23(b)(3), a class action is superior to other available methods for fairly adjudicating this controversy.

FIRST CLAIM FOR RELIEF – BREACH OF CONTRACT

25. The allegations contained in Paragraphs 1 through 24, inclusive, are restated and incorporated by reference herein.

26. Marathon has breached its obligations to Plaintiff and the Class members under the leases and overriding royalty agreements at issue, in the manner described in Paragraphs 12-14 of this class action complaint.

27. Plaintiff and the Class members have sustained substantial damages as a direct result of Marathon's breaches of its royalty payment obligations to Plaintiff and the Class under the leases and overriding royalty agreements at issue.

28. Plaintiff and the Class members are entitled to recover prejudgment interest on Marathon's royalty underpayments from the date of each royalty underpayment at the rate of eighteen percent per annum, pursuant to N.D.C.C. § 47-16-39.1, because: (1) Marathon has failed to pay the correct amount of oil royalties within 150 days after oil was produced and marketed under the leases and overriding royalty agreements at issue; and (2) Plaintiff and the Class members are not seeking to cancel their leases or overriding royalty agreements.

SECOND CLAIM FOR RELIEF – DECLARATORY JUDGMENT

29. The allegations contained in Paragraphs 1 through 28, inclusive, are restated and incorporated by reference herein.

30. A controversy exists between Plaintiff, the Class, and Marathon regarding the correct method for Marathon's calculation and payment of future oil royalties after the date of final judgment on oil sales under the leases and overriding royalty agreements at issue.

31. Plaintiff requests that the Court enter a declaratory judgment declaring that Marathon is required to pay future royalties after the date of final judgment to Plaintiff and the Class members under the leases and overriding royalty agreements at issue, without taking the deductions referenced in Paragraph 12 of this Complaint.

PRAYER FOR RELIEF

Plaintiff prays for the following relief:

A. An Order finding that the claims asserted by Plaintiff on behalf of the defined Class should be certified as a class action pursuant to Fed. R. Civ. P. 23(b)(3), that Plaintiff be appointed as the Class Representative for the certified Class, and that Plaintiff's attorneys be appointed as Class Counsel for the certified Class;

B. A judgment in favor of Plaintiff and the Class members on their claims for Marathon's breaches of the leases and overriding royalty agreements at issue, for the full amount of royalty underpayments, plus applicable eighteen percent per annum prejudgment interest, pursuant to N.D.C.C. § 47-16-39.1;

C. A declaratory judgment declaring the appropriate method for Marathon's calculation of future royalties to the Class members after the date of final judgment on oil sales under the leases and overriding royalty agreements at issue, in accordance with the relief prayed for by Plaintiff in Paragraph 31 of this Complaint;

D. An award of attorneys' fees pursuant to N.D.C.C. § 47-16-39.1;

E. An award of courts costs; and

F. For such additional relief as the Court deems just.

DEMAND FOR JURY TRIAL

Plaintiff requests a jury trial on all matters so triable.

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