

## *Yoshikawa v. Exxon Mobil Corporation et al*

**COURT:** United States District Court for the Northern District of Texas  
**CASE NUMBER:** 3:21-cv-00194-N  
**CASE LEADERS:** John Rizio-Hamilton, Rebecca E. Boon  
**CASE TEAM:** John J. Esmay, Thomas Sperber

Exxon is one of the world's largest oil and gas companies, and is the largest landowner in the Permian Basin—oil-rich land located in the southwestern United States. Throughout the Class Period, Exxon repeatedly touted the Permian Basin as one of its most important and promising oil fields. Among other things, Exxon repeatedly assured investors that it was “on track” to produce 1 million of oil per day from the Permian Basin by 2024, which translated into an internal valuation of the Permian Basin field at approximately \$60 billion.

Once drilling began in earnest, however, the valuation team at Exxon realized the Company was overestimating how quickly it could drill, and therefore how many barrels of oil per day it would be able to produce. In fact, “no one” on the valuation team thought 1 million barrels per day was achievable. Utilizing actual production volumes and internal assessments of the productivity of the Permian Basin, the valuation team determined that at a slower, but achievable, rate of drilling, the asset was worth only \$40 billion.

Instead of accepting the slower production estimates and the corresponding \$20 billion decrease in the internal valuation figure, Exxon secretly told employees to “claw back” the value of the asset by improperly changing the assumptions relied on in their calculations. Exxon pressured the valuation team to use a fraudulently inflated “learning curve,” and assume that Exxon would soon speed up its drilling rate, despite having no evidence that this was possible. Some employees continued to view these assumptions as unrealistic, and one employee saved the revised estimates in a file entitled “Please\_do\_not\_turn\_this\_into\_a\_lie.xlsx.”

Meanwhile, Exxon continued to misrepresent to investors that 1 million barrels per day was achievable and that Exxon was on track to meet that goal. These misrepresentations caused shares of Exxon stock to trade at artificially inflated prices during the Class Period.

The truth began to emerge on September 13, 2020, when the *Wall Street Journal* revealed internal disagreements at Exxon over the value of the Company's Permian Basin asset, specifically a \$20 billion difference in internal valuation. Then, on January 15, 2021 the *Wall Street Journal* reported that the SEC had opened an investigation into Exxon's valuation of its Permian Basin asset following a whistleblower complaint that alleged Exxon pressured employees to improperly change the assumptions relied on in their calculations to inflate the internal valuation of the asset. All told, these disclosures caused a precipitous decline in the price of Exxon shares, erasing billions in shareholder value.

On January 28, 2021, investors filed a securities class action against Exxon and certain of its senior executives in federal court in Texas. On March 29, 2021, BLB&G filed a motion on behalf of its client The State of Rhode Island, Office of the General Treasurer (“Rhode Island”), on behalf of the Employees' Retirement System of Rhode Island, seeking appointment as co-Lead Plaintiff and to have BLB&G appointed as co-Lead Counsel. On June 10, 2021, the Court appointed Rhode Island and Amalgamated Bank to serve as co-Lead Plaintiffs. Lead Plaintiffs filed their Amended Complaint on September 10, 2021. Defendants filed their motion to dismiss the Amended Complaint on November 24, 2021, and Lead Plaintiffs filed their opposition to Defendants' motion to dismiss on January 10, 2021.

Defendants filed their reply in further support of their motion to dismiss on February 9, 2021. On September 29, 2022, the Court granted Defendants' motion to dismiss and gave Lead Plaintiffs 30 days to file a second amended complaint. On October 6, 2022, the *Washington Post* revealed that the United States Department of Labor, through the Occupational Safety and Health Administration, concluded an investigation into the termination of former Exxon employees Dr. Lindsey Gulden and Dr. Damian Burch relating to the September 13, 2020 *Wall Street Journal* article. The Labor Department determined that Exxon violated the Sarbanes-Oxley Act's whistleblower protection provision. On October 31, 2022, Lead Plaintiffs filed the Second Amended Complaint incorporating new facts relating to Lead Counsel's investigation of the Labor Department's findings revealed in the October 6, 2022 *Washington Post* article, among other things.

Defendants moved to dismiss the Second Amended Complaint on November 14, 2022. Lead Plaintiffs filed their response in opposition to Defendants' motion to dismiss on December 5, 2022, and Defendants filed their reply in support on December 19, 2022. On August 24, 2023, the Honorable David C. Godbey granted-in-part and denied-in-part Defendants' motion to dismiss.

Plaintiffs served their motion for class certification on January 4, 2024. The class certification motion will be fully briefed on June 12, 2024. Defendants filed a motion for judgment on the pleadings on January 8, 2024. Briefing on that motion will be complete on February 14, 2024. The case is now in discovery.

## Case Documents

- October 31, 2022 - Dkt 92 Amended Complaint With Jury Demand [Second Amended Class Action Complaint For Violations Of The Federal Securities Laws]
- September 11, 2021 - Consolidated Class Action Complaint