

Model Form of Voluntary Unit Agreement

API MODEL FORM 5U01
FOURTH EDITION, JUNE 1, 1993

American Petroleum Institute
1220 L Street, Northwest
Washington, DC 20005



Issued by
AMERICAN PETROLEUM INSTITUTE
Exploration & Production Department

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MODEL FORM OF VOLUNTARY UNIT AGREEMENT

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FOREWORD

The API Model Form of Voluntary Unit Agreement and the companion Model Form of Voluntary Unit Operating Agreement date back to the First Editions, January 1957. The First Editions were superseded by Second Editions, January 1961. The Third Editions were issued in January 1970. The revised editions have been prepared to update these model forms by making revisions found from experience to be desirable. The majority of production units formed in the United States in recent years utilized these suggested forms in whole or in part.

The design of the model forms is to aid in the accomplishment of voluntary unitization of oil and condensate reservoirs that are substantially developed in order to conduct some form of pressure maintenance, repressuring, waterflooding, or other cooperative forms of operation to increase ultimate recovery.

These suggested forms have been prepared by the Subcommittee on Unit Operations under administration of API's Executive Committee on Drilling and Production Practices. Being general in nature, these suggested forms require a certain amount of adaptation to conform to the conditions and requirements of particular units and to the laws of different states. The latter is true in regard to matters of execution, acknowledgments, and filing for record.

USERS ARE CAUTIONED that this suggested form may not contain all the provisions that may be required by parties to an actual agreement for unit operations. In addition, the form contains numerous provisions that must be completed by inserting appropriate time periods, number of parties, voting requirements, or dollar amounts and each party must determine appropriate inserts for its particular situation or application. This is especially critical with respect to the voting requirement relating to operation of the lease. Users of the model form or portion or variations thereof should seek the advice of counsel to ensure that the agreement reflects the actual intent of the parties and is proper under the applicable business circumstances. Use of the form or any portion or variation thereof shall be at the sole discretion, risk, and liability of the user parties. American Petroleum Institute disclaims any and all interests or liability whatsoever for loss or damages that may result from use of the form or portions or variations thereof.

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UNIT AGREEMENT

UNIT

COUNTY,

THIS AGREEMENT, entered into as of the _____ day of _____, 19 _____, by the Parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a Party hereto,

W I T N E S S E T H:

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the _____ Field, in _____ County, _____ and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided,

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement:

1.1 Effective Date is the time and date this Agreement becomes effective, as provided in Section 17.1.

1.2 Oil and Gas Rights are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.3 Outside Substances are all substances purchased or otherwise obtained for a consideration by Working Interest Owners and injected into the Unitized Formation.

1.4 Party is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formation and is a signatory hereto.

1.5 Royalty Interest is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1 **1.6 Royalty Owner** is a Party hereto who owns a Royalty Interest.

2 **1.7 Tract** is the land described as such and given a tract number in "Exhibit B".

3 **1.8 Tract Participation** is the percentage shown on "Exhibit B" for allocating Unitized Sub-
4 stances to a Tract.

5 **1.9 Unit Area** is the land described by Tracts in "Exhibit B" and shown on "Exhibit A" as to
6 which this Agreement becomes effective or to which it may be extended as herein provided.

7 **1.10 Unit Equipment** is all personal property, lease and well equipment, plants, and other
8 facilities and equipment taken over or otherwise acquired for the joint account for use in Unit
9 Operations.

10 **1.11 Unit Expense** is all cost, expense, or indebtedness incurred by Working Interest Owners
11 or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account
12 of Unit Operations.

13 **1.12 Unit Operations** are all operations conducted pursuant to this Agreement and the Unit
14 Operating Agreement.

15 **1.13 Unit Operating Agreement** is the agreement entered into by Working Interest Owners,
16 having the same Effective Date as this Agreement, and entitled "Unit Operating Agreement,
17 _____ Unit, _____ County, _____".

18 **1.14 Unit Operator** is the Working Interest Owner designated by Working Interest Owners
19 under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as
20 a Working Interest Owner.

21 **1.15 Unit Participation** of a Working Interest Owner is the sum of the percentages obtained
22 by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies
23 for inclusion within the Unit Area by the Tract Participation of such Tract.

24 **1.16 Unitized Formation** is the subsurface portion of the Unit Area described as

(DESCRIBE BY GEOLOGIC NAME, DEPTH INTERVAL, OR OTHERWISE.)

25 **1.17 Unitized Substances** are all oil, gas, gaseous substances, sulphur contained in gas, con-
26 densate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than
27 Outside Substances within or produced from the Unitized Formation.

28 **1.18 Working Interest** is an interest in Unitized Substances by virtue of a lease, operating
29 agreement, fee title, or otherwise, including a carried interest, the owner of which interest is
30 obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense;
31 however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest
32 shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty
33 Interest to the extent of the remaining one-eighth (1/8) thereof. A Royalty Interest created out of
34 a Working Interest subsequent to the execution of this Agreement by the owner of such Working
35 Interest shall continue to be subject to such Working Interest burdens and obligations that are
36 stated in this Agreement and the Unit Operating Agreement.

37 **1.19 Working Interest Owner** is a Party hereto who owns a Working Interest.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 "Exhibit A" is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.2 "Exhibit B" is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.2 Reference to Exhibits. When reference is made to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.

2.3 Exhibits Considered Correct. "Exhibit A" and "Exhibit B" shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date, should have been divided into more than one Tract, or that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of Working Interest Owners, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised, Unit Operator shall execute an appropriate instrument stating the effective date for the revised exhibit with the revised exhibit attached and promptly file the same for record in the county or counties in which this Agreement is filed and furnish the revised exhibit to the Working Interest Owners and requisite regulatory agencies.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands described in "Exhibit B", and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed

1 by Working Interest Owners. The rights and interests therein as among Working Interest Owners
2 are set forth in the Unit Operating Agreement.

3 **3.3 Amendment of Leases and Other Agreements.** The provisions of the various leases, agree-
4 ments, division and transfer orders, or other instruments pertaining to the respective Tracts or
5 the production therefrom are amended to the extent necessary to make them conform to the
6 provisions of this Agreement, but otherwise shall remain in full force and effect. The Royalty
7 Owners and Working Interest Owners, as to each particular Tract, represent and confirm to and
8 agree with the other Parties to this Agreement that no further drilling obligations exist under any
9 oil and gas lease or contract affecting such Tract. Royalty Owners further agree that any default,
10 forfeiture, or penalty provision in any such oil and gas lease or other contract shall be suspended
11 and of no force or effect during the term of this Agreement.

12 **3.4 Continuation of Leases and Term Interests.** Production from any part of the Unitized
13 Formation, except for the purpose of determining payments to Royalty Owners, or other Unit
14 Operations shall be considered as production from or operations upon each Tract, and such
15 production or operations shall continue in effect each lease or term mineral or Royalty Interest
16 as to all lands and formations covered thereby just as if such operations were conducted on and
17 as if a well were producing from each Tract.

*OPTIONAL LANGUAGE — Each Royalty Owner hereby leases, lets, grants, adopts, ratifies, and
confirms each lease under which such Royalty Owner is credited with a Royalty Interest pursuant
to this Agreement, and hereby grants such lease as to the Unitized Formation to the Working
Interest Owner(s) credited hereunder with a Working Interest therein.*

18 It is agreed that each lease shall remain in full force and effect from the date of execution hereof
19 until the Effective Date, and thereafter in accordance with its terms and this Agreement.

20 **3.5 Titles Unaffected by Unitization.** Nothing herein shall be construed to result in the trans-
21 fer of title to Oil and Gas Rights by any Party hereto to any other Party or to Unit Operator.

22 **3.6 Injection Rights.** Royalty Owners hereby grant Working Interest Owners the right to
23 inject into the Unitized Formation any substances in whatever amounts Working Interest Owners
24 deem expedient for Unit Operations, together with the right to drill, use, and maintain injection
25 wells on the Unit Area, and to use for injection purposes any nonproducing or abandoned wells
26 or dry holes, and any producing wells completed in the Unitized Formation.

27 **3.7 Development Obligation.** Nothing herein shall relieve Working Interest Owners from any
28 obligation to develop reasonably, as a whole, the lands and leases committed hereto.

29 **3.8 Cooperative Agreements.** Unit Operator may, after approval by Working Interest Own-
30 ers, enter into cooperative agreements with respect to lands adjacent to the Unit Area for the
31 purpose of coordinating operations.

32 ARTICLE 4

33 PLAN OF OPERATIONS

34 **4.1 Unit Operator.** _____ is hereby designated as the initial Unit Opera-
35 tor. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform

to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such Agreements, this Agreement shall govern.

4.2 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in

(DESCRIBE INITIAL METHOD OF OPERATION.)

4.3 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer appropriate or in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5

TRACT PARTICIPATIONS

5.1 Tract Participations. The Tract Participation of each Tract is shown in "Exhibit B".

(INSERT FORMULA AND, IF MULTI-PHASE, DEFINE TERM OF PHASES.)

The Tract Participations, as shown in "Exhibit A", are accepted and approved by the Parties hereto as being fair and equitable.

OPTIONAL LANGUAGE IF OIL PRODUCTION IS USED IN FORMULA — The monthly oil production has been determined from the oil production records as reported to the (Regulatory Agency) and for the purpose of determining the Tract Participation for each Tract covered hereby shall be conclusive.

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the Parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the

owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one (1) such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract, exclusive of Unitized Substances which may be used in Unit Operations and in preparing and treating oil or gas for marketing purposes and Unitized Substances unavoidably lost, shall be delivered in kind to the respective Parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such Parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion of Unitized Substances. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind or otherwise dispose of such share of Unitized Substances. Each Working Interest Owner shall execute such division orders and contracts as may be necessary for the sale of its interest in Unitized Substances from the Unit Area, and except as provided in Section 11.5 of the Unit Operating Agreement shall be entitled to receive payment directly from the purchaser for its share of all Unitized Substances.

6.4 Failure to Take in Kind. If any Party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Unitized Substances produced from the Unit Area, Unit Operator shall have the right, subject to the revocation at will by the Party owning or otherwise entitled to it, but not the obligation, to purchase such Unitized Substances or sell it to others at any time and from time to time, for the account of the non-taking Party. Any such purchase or sale by Unit Operator may be terminated by Unit Operator upon at least thirty (30) days' written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least thirty (30) days' written notice to Unit Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Unitized Substances not previously delivered to a purchaser; provided, however, that the effective date of any such revocation may be deferred at Unit Operator's election for a reasonable period not to exceed ninety (90) days if Unit Operator has committed such production to a purchase contract having a term extending beyond such thirty (30) day period. Any purchase or sale by Unit Operator of any other Party's share of the Unitized Substances shall be only for such reasonable periods of time as are

consistent with the minimum needs of the industry under the circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Unit Operator shall be in a manner commercially reasonable under the circumstances, but Unit Operator shall have no duty to share any existing market or transportation arrangement or to obtain a price or transportation fee equal to that received under any existing market or transportation arrangement. The sale or delivery by Unit Operator of a non-taking Party's share of Unitized Substances under the terms of any existing contract of Unit Operator shall not give the non-taking Party any interest in or make the non-taking Party a party to said contract. The proceeds at the well of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners of each affected Tract or a Party designated by such Working Interest Owners who shall distribute such proceeds to the Parties entitled thereto.

All Parties shall give timely written notice to Unit Operator of their gas marketing arrangements for the following month, excluding price, and shall notify Unit Operator immediately in the event of a change in such arrangements. Unit Operator shall maintain records of all marketing arrangements and of volumes actually sold or transported, which records shall be made available to non-operators upon reasonable request.

If the Parties have entered into the gas balancing agreement attached as "Exhibit H" to the Unit Operating Agreement, and if any Party fails to take and separately dispose of its share of the Unitized Substances, and the Unit Operator has not purchased or sold such share for the account of such Party, then the balancing or accounting between the Parties shall be in accordance with such gas balancing agreement.

6.5 Responsibility for Royalty Settlements. Each Working Interest Owner shall be responsible for the payment of all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of its share of Unitized Substances, and shall indemnify all Parties hereto, including Unit Operator, against any liability for such payment.

6.6 Royalty on Outside Substances. If any Outside Substance consisting of natural gases is injected into the Unitized Formation, _____ percent (____%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total volume on a BTU-adjusted basis, deemed to be such Outside Substance, equals the total volume of such Outside Substance so injected. If any Outside Substance, which prior to injection is liquefied petroleum gas or other liquid hydrocarbons, is injected into the Unitized Formation, _____ percent (____%) of all Unitized Substances produced and sold after one (1) year from the time the injection of such Outside Substance was commenced shall be deemed to be a part of the Outside Substance so injected until the total volume of the production on a gravity-adjusted basis deemed to be such Outside Substance equals the total volume on a gravity-adjusted basis of the Outside Substance so injected. Such _____ percent (____%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as hereinabove provided, if

both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil or Liquid Hydrocarbons in Lease Tanks. Unit Operator shall gauge or otherwise determine the amount of merchantable oil or other liquid hydrocarbons produced from the Unitized Formation that are in lease tanks as of 7:00 a.m. on the Effective Date. Oil or other liquid hydrocarbons in treating vessels, separation equipment, and tanks below pipeline connections shall not be considered to be merchantable. Any merchantable oil or other liquid hydrocarbons that are a part of or attributable to the prior allowable of the wells from which they were produced shall remain the property of the Parties entitled thereto as if this Agreement had not been entered into. Any such merchantable oil or other liquid hydrocarbons not promptly removed may be sold by Unit Operator for the account of the Working Interest Owners entitled thereto, who shall pay all royalty due thereon under the provisions of applicable leases or other contracts. Any oil or liquid hydrocarbons in excess of that attributable to the prior allowable of the wells from which they were produced shall be regarded as Unitized Substances produced after the Effective Date.

7.2 Overproduction. If, as of the Effective Date, any Tract is overproduced with respect to the allowable of the wells on that Tract, and if the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the Effective Date and shall be charged to such Tract as having been delivered to the Parties entitled to Unitized Substances allocated to such Tract.

ARTICLE 8

USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

ARTICLE 9

TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the Effective Date and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in "Exhibit B" that corner or have a common boundary (Tracts separated only by a public highway or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

9.1.1 Tract Ownership. Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become Parties to this Agreement, and as to which Royalty Owners owning _____ percent (____%) or more of the Royalty Interest have become Parties to this Agreement.

9.1.2 Voting Interest. Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become Parties to this Agreement, as to which Royalty Owners owning less than _____ percent (____%) of the Royalty Interest have become Parties to this Agreement, and as to which (a) the Working Interest Owners owning _____ percent (____%) or more of the Working Interest in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) Working Interest Owners having _____ percent (____%) or more of the combined voting interests in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 9.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation, attributable to Tracts that qualify under Section 9.1.1, bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

9.1.3 Indemnity Agreement. Each Tract wherein Working Interest ownership totalling less than one hundred percent (100%) of said Tract's Working Interest ownership has been committed to this Agreement, and wherein the operator of said Tract, and any other Working Interest Owner(s) therein, has requested the inclusion of said Tract in the Unit Area and executed and delivered to all other Working Interest Owners an indemnity agreement identical to "Exhibit F" attached to the Unit Operating Agreement. Said indemnity agreement will indemnify and hold harmless the other Working Interest Owners from any claims and demands made upon them as a result of each Tract's inclusion in the Unit Area under the terms of Section 9.1.3 by the owners of Working Interest in such Tract who are not Parties to this Agreement; and as to which Working Interest Owners having _____ percent (____%) or more of the combined voting interest in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement.

For the purpose of Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation, attributable to Tracts that qualify under Sections 9.1.1 and 9.1.2, bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of Working Interest in such Tract, had they become Parties to this Agreement and the Unit Operating Agreement, shall be attributed in proportion to their respective Working Interests in such Tract to the Working Interest Owners in the Tract who have executed indemnity agreements.

9.2 Commitment of Interests to Unit. The execution of this Agreement by a Party shall commit all interests owned or controlled by such Party as of the date of execution, and additional

interests acquired before the Effective Date. After the Effective Date, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest, provided, however, any formerly committed interest as to which title has failed may be recommitted by the rightful owners on its former basis of participation, as provided in Section 10.1 hereof.

9.3 Acquisition of Uncommitted Interests. In the event any Party bound by this Agreement acquires an uncommitted Royalty Interest, unleased mineral interest, or uncommitted Working Interest in any Tract included within the Unit Area, such interest, upon being so acquired and Unit Operator being so notified in writing with a certified copy of the instrument of conveyance, will be automatically subject to this Agreement effective the first day of the month following notification to the Unit Operator. If the interest acquired is a Royalty Interest, it will then receive its share of the Unit Participation allocated to said Tract.

If the interest acquired is a mineral interest or Working Interest, it will be subject to the terms of the Unit Operating Agreement and the owner of said acquired interest must, within ____ () days of the above notification date, enter into an investment adjustment with the other Working Interest Owners in the affected Tract. In the event these Parties are unable to agree upon an investment adjustment, then the Unit Operator will determine the basis for adjustment and so notify the affected Parties.

9.4 Revision of Exhibits. If any of the Tracts described in "Exhibit B" fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute the Tract Participation of each of the qualifying Tracts, using the original basis of computation, and shall revise "Exhibit A" and "Exhibit B" accordingly. "Exhibit G" of the Unit Operating Agreement will be revised to reflect those tracts that qualify under the provisions of Section 9.1 hereof which contribute wells to the Unit. Such revised exhibits shall be effective as of 7:00 a.m. on the Effective Date.

ARTICLE 10

TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this Agreement to meet the conditions of Article 9 because of failure of title of any Party hereto, such Tract shall be removed from the Unit Area effective as of 7:00 a.m. on the first day of the calendar month in which the failure of title is finally determined, unless within ninety (90) days after the date of final determination of the failure of title, the Tract qualifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise "Exhibit A" and "Exhibit B" accordingly. The revised exhibits shall be effective as of 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Interest Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the Party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any Party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

- (a) require that the Party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such Party fails in whole or in part, or
- (b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the Party rightfully entitled thereto.

10.6 Payment of Taxes to Protect Title. The owner of surface rights to lands within the Unit Area, or severed mineral interests or Royalty Interests in such lands, or lands outside the Unit Area on which Unit Equipment is located, is responsible for the payment of any ad valorem taxes on all such rights, interests, or property, unless such owner and Working Interest Owners otherwise agree. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale or expiration of period of redemption after tax sale, pay the tax, redeem such rights, interests, or property, and discharge the tax lien. Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to Working Interest Owners. Such withholding shall be without prejudice to any other remedy available to Unit Operator or Working Interest Owners.

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The Parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area; however, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a plant site for water injection, gas injection, or gas processing.

11.2 Use of Water. Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner. Working Interest Owners may convert dry or abandoned wells in the Unit Area for use as water supply or disposal wells.

11.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing

1 crops, timber, fences, improvements, and structures on the Unit Area that result from Unit
2 Operations.

3 ARTICLE 12

4 ENLARGEMENTS OF UNIT AREA

5 **12.1 Enlargements of Unit Area.** The Unit Area may be enlarged to include acreage reason-
6 ably proved to be productive upon such terms as may be determined by Working Interest Owners
7 including, but not limited to, the following:

8 **12.1.1** The acreage shall qualify under a Section of Article 9.

9 **12.1.2** The participation to be allocated to the acreage shall be fair and reasonable,
10 considering all available information.

11 **12.1.3** There shall be no retroactive allocation or adjustment of Unit Expense or of inter-
12 ests in the Unitized Substances produced, or proceeds thereof; however, this limi-
13 tation shall not prevent an adjustment of investment by reason of the enlargement.

14 **12.2 Determination of Tract Participation.** Unit Operator, subject to Section 5.2, shall de-
15 termine the Tract Participation of each Tract within the Unit Area as enlarged, and shall revise
16 "Exhibit A" and "Exhibit B" accordingly.

17 **12.3 Effective Date.** The effective date of any enlargement of the Unit Area shall be 7:00 a.m.
18 on the first day of the calendar month following compliance with conditions for enlargement as
19 specified by Working Interest Owners, and the filing for record of revised "Exhibit A" and "Exhibit
20 B" in the county or counties in which this Agreement is recorded or on such other date as may be
21 determined by Working Interest Owners and set forth in the revised Exhibit.

22 ARTICLE 13

23 TRANSFER OF TITLE — PARTITION

24 **13.1 Transfer of Title.** Any conveyance of all or any part of any interest owned by any Party
25 hereto with respect to any Tract shall be made expressly subject to this Agreement. No change
26 of title shall be binding upon Unit Operator, or upon any Party hereto other than the Party so
27 transferring, until 7:00 a.m. on the first day of the calendar month next succeeding the date of
28 receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change in
29 ownership.

30 **13.2 Waiver of Rights to Partition.** Each Party hereto agrees that, during the existence of
31 this Agreement, it will not resort to any action to partition the Unitized Formation or the Unit
32 Equipment, and to that extent waives the benefits of all laws authorizing such partition.

33 ARTICLE 14

34 RELATIONSHIP OF PARTIES

35 **14.1 No Partnership.** The duties, obligations, and liabilities of the Parties hereto are intended
36 to be several and not joint or collective. This Agreement is not intended to create, and shall not
37 be construed to create, an association or trust, or to impose a partnership duty, obligation, or
38 liability with regard to any one or more of the Parties hereto. Each Party hereto shall be individu-
39 ally responsible for its own obligations as herein provided.

14.2 No Joint Refining or Marketing. This Agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.

14.3 Royalty Owners Free of Unit Expense. This Agreement shall not be construed to impose upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner. However, Unit Operator will not be required to provide any proprietary or interpretative information to such Royalty Owner.

ARTICLE 15

LAWS AND REGULATIONS

15.1 Laws and Regulations. This Agreement shall be subject to all applicable federal, state, and municipal laws, rules, regulations, and orders.

15.2 Governing Law. This Agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the laws of the state in which the Unit Area is located.

ARTICLE 16

FORCE MAJEURE

16.1 Force Majeure. If any Party is rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments, that Party shall give to all other Parties prompt written notice of the force majeure with reasonably full particulars concerning the force majeure. Thereupon, the obligations of the Party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected Party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable, but neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of the suspension of Unit Operations due to the occurrence of any event(s) of force majeure. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party involved, contrary to its wishes, and the manner in which all such difficulties shall be handled shall be entirely within the discretion of the Party concerned. The term "force majeure," as here employed, shall mean any act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockage, public riot, lightning, fire, storm, flood, explosion, governmental laws, rules, regulations, orders, action, delay, restraint or inaction, unavailability of equipment, or inability to secure materials, or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

1 **ARTICLE 17**

2 **EFFECTIVE DATE**

3 **17.1 Effective Date.** This Agreement shall become binding upon each Party as of the date such
 4 Party signs the instrument by which it becomes a Party hereto, and, unless sooner terminated as
 5 provided in Section 17.2, shall become effective as to qualified Tracts at the time and date as
 6 determined by Working Interest Owners owning _____ percent (____%) or more of the combined
 7 Unit Participation in all the qualified Tracts, which time and date shall be after Tracts comprising
 8 _____ percent (____%) or more of the Unit Area as shown on the original "Exhibit B" have
 9 qualified under the provisions of Article 9; at least one counterpart of this Agreement has been
 10 filed for record by Unit Operator in the county or counties in which the Unit Area is located; and
 11 this Agreement has been approved by the appropriate regulatory agency if the laws of the State
 12 either require or authorize such approval.

13 **17.2 Ipso Facto Termination.** If the requirements of Section 17.1 are not accomplished on or
 14 before _____, this Agreement shall ipso facto terminate on that date (hereinafter
 15 called "termination date") and thereafter be of no further effect, unless prior thereto Working
 16 Interest Owners owning a combined Unit Participation of at least _____ percent (____%) have
 17 become Parties to this Agreement and Working Interest Owners owning _____ percent (____%)
 18 or more of that percent have decided to extend the termination date for a period not to exceed
 19 _____. If the termination date is so extended and the requirements of Section 17.1
 20 are not accomplished on or before the extended termination date, this Agreement shall ipso facto
 21 terminate on the extended termination date and thereafter be of no further effect. For the purpose
 22 of this Section, Unit Participation shall be as calculated on the basis of Tract Participations shown
 23 on the original "Exhibit B".

24 **17.3 Certificate of Effectiveness.** Unit Operator shall promptly file for record in the county
 25 or counties in which the land affected is located a certificate stating the Effective Date.

26 **ARTICLE 18**

27 **TERM**

28 **18.1 Term.** The term of this Agreement, unless sooner terminated in the manner hereinafter
 29 provided, shall be for and during the time that Unitized Substances are produced in paying
 30 quantities without a cessation of more than ninety (90) consecutive days, or so long as other Unit
 31 Operations are conducted without a cessation of more than ninety (90) consecutive days.

32 **18.2 Termination by Working Interest Owners.** This Agreement may be terminated by Work-
 33 ing Interest Owners owning a combined Unit Participation of _____ percent (____%) or more
 34 whenever such Working Interest Owners determine that Unit Operations are no longer profitable
 35 or feasible.

36 **18.3 Effect of Termination.** Upon termination of this Agreement, the further development
 37 and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall
 38 cease. Each oil and gas lease and other agreement covering lands within the Unit Area shall

remain in force for sixty (60) days after the date on which this Agreement terminates, and for such further period as is provided by the lease or other agreement.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

18.5 Certificate of Termination. Upon termination of this Agreement, Unit Operator shall promptly file for record in the county or counties in which the land affected is located a certificate that this Agreement has terminated, stating its termination date.

ARTICLE 19

EXECUTION

19.1 Original, Counterpart, or Other Instrument. An owner of Oil and Gas Rights may become a Party to this Agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to become a Party hereto. The signing of any such instrument shall have the same effect as if all Parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any Party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such Party.

ARTICLE 20

GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners unless otherwise provided for herein.

20.2 Action by Working Interest Owners. Except as otherwise provided in this Agreement, any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.3 Lien and Security Interest of Working Interest Owners. Each Working Interest Owner shall have a lien upon and a security interest in the interests of the other Working Interest Owners in the Unit Area, as provided in the Unit Operating Agreement.

20.4 Headings for Convenience. Except for the headings contained in Article 1, the headings and table of contents used in this Agreement are inserted for convenience only and shall be disregarded in construing this Agreement.

20.5 Severability of Provisions. The provisions of this Agreement are severable and if any section, sentence, clause or part thereof is held to be invalid for any reason, such invalidity shall not be construed to affect the validity of the remaining provisions of this Agreement.

ARTICLE 21

SUCCESSORS AND ASSIGNS

21.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the Parties hereto and their respective heirs, devisees, legal representatives, suc-

1 cessors, and assigns, and shall constitute a covenant running with the lands, leases, and interests
2 covered hereby.

3 IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates
4 opposite their respective signatures.

"EXHIBIT A"**TO
UNIT AGREEMENT**

_____ UNIT
_____ COUNTY, _____

MAP OR PLAT OF UNIT AREA

Showing:

1. Outline of Unit Area delineated by heavy or hatched line.
 2. Tract boundary lines. Tract names. Tract numbers and names of operators prior to unitization.
 3. Sections, townships, ranges, surveys, blocks, lots, etc., as applicable.
 4. Wells completed in the Unitized Formation.
- (Exhibit should also include a legend indicating meaning of lines, symbols, scale to which map is drawn, directions, etc.)

"EXHIBIT B"**TO
UNIT AGREEMENT**

_____ UNIT
_____ COUNTY, _____

TRACTS AND TRACT PARTICIPATIONS

Tract Number	Tract Operator	Tract Name	Description	Tract Acres	Participation
1	X Oil Co.	Riverbed	SE /4SW/4,Sec.12.T24N,R6E	40	0.29830
2	_____	_____	_____	_____	_____

¹If a revised exhibit, it should show "Revision No. _____" and time and date of effectiveness.

**SUPPLEMENT TO API MODEL FORM
OF UNIT AGREEMENT**

This supplement contains alternate and added provisions and exhibits and other deviations in the form, and also a suggested form of agreement to become a party to the Unit Agreement or Unit Operating Agreement, or both, by parties who do not sign the original or a counterpart thereof.

PART I

The following is an alternate Section 5.1, and other changes in case of two-phase Tract Participations:

5.1 Tract Participations. The Tract Participations of each Tract are shown on "Exhibit B".

(INSERT FORMULA FOR EACH PHASE, IF REQUIRED OR DESIRED.)

5.1.1 Periods of Applicability. Phase I Tract Participations shall be applicable from the Effective Date until 7:00 a.m. on the first day of the month after the time the cumulative production of oil from the Unitized Formation totals _____ barrels, from and after 7:00 a.m. on (date). Thereafter, Phase II Tract Participations shall be in effect. Whenever Tract Participations or Unit Participations are applicable under this Agreement, they shall be determined on the basis of the phase then in effect.

Thence, revise the last column of "Exhibit B" as follows:

	Tract Participation	
	<i>Phase I</i>	<i>Phase II</i>
	_____	_____
	_____	_____
	_____	_____
	_____	_____
Total	100.0000	100.0000

PART II

The following are alternate Sections 9.1.2 and 9.1.3, and an added Section 9.1.4, containing different provisions whereby Tracts with lesser percentages of the Working Interest or Royalty Interest committed to the agreement than required by Section 9.1.1, may be included in the Unit Area. Other alternates or variations thereof may suggest themselves to users of the form, but these are included as examples of some that have been used or that have been suggested by the authoring committee. Some of the provisions are of necessity complex and users of the model form should use care in making their analysis and choice of the provisions to be used.

NO. 1 ALTERNATE¹

SECTION 9.1.2

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become Parties to this Agreement, and as to which Royalty Owners owning less than _____ percent (____%)² of the Royalty Interest have become Parties to this

¹Numbering of alternate Sections as No. 1 and No. 2 is for identification only and does not indicate any order of preference.

²Percent shown here should be same as that inserted in blanks in Section 9.1.1.

Agreement, and as to which all Working Interest Owners in such Tract have executed and delivered, or have obligated themselves to execute and deliver, an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against a portion of all claims and demands that may be made by nonsubscribing owners of Royalty Interest in such Tract on account of the inclusion of the Tract in the Unit Area, except for failure of title arising because of Unit Operations. The portion of such claims and demands covered by the indemnity shall, as to each such Tract, be the fraction thereof in which the numerator is the difference between the percentage of the Royalty Interest signed and _____ percent (____%)¹ of the Royalty Interest in the Tract, and the denominator is the difference between the percentage of the Royalty Interest signed and one hundred percent (100%) of the Royalty Interest in the Tract.

NO. 2 ALTERNATE²

SECTION 9.1.2

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become Parties to this Agreement, and as to which Royalty Owners owning less than _____ percent (____%)¹ of the Royalty Interest have become Parties to this Agreement, and as to which (a) Working Interest Owners owning _____ percent (____%) or more of the Working Interest in such Tract, including the Working Interest Owner who operates the Tract, have joined in a request for the inclusion of the Tract in the Unit Area, and as to which (b) Working Interest Owners having _____ percent (____%) or more of the combined voting interests in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 9.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

NO. 1 ALTERNATE²

SECTION 9.1.3

9.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become Parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) Working Interest Owners, including the Working Interest Owner who operates the Tract, owning a total of _____ percent (____%) or more of the Working Interest in such Tract that is committed to this Agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered, or have obligated themselves to execute and deliver, an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not Parties to this Agreement, and which arise out of the inclusion of the

¹Percent shown here should be same as that inserted in blanks in Section 9.1.1.

²Numbering of alternate Sections as No. 1 and No. 2 is for identification only and does not indicate any order of preference.

1 Tract in the Unit Area; and as to which (b) Working Interest Owners having _____ percent
 2 (___%) or more of the combined voting interest in all Tracts that meet the requirements of Sections
 3 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity
 4 agreement. For the purpose of this Section 9.1.3, the voting interest of each Working Interest
 5 Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify
 6 under Sections 9.1.1 and 9.1.2 bears to the total Unit Participation of all Working Interest Owners
 7 attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such
 8 a Tract in the Unit Area, the Unit Participation that would have been attributed to the
 9 nonsubscribing owners of Working Interest in such Tract, had they become Parties to this Agree-
 10 ment and the Unit Operating Agreement, shall be attributed, in proportion to their respective
 11 Working Interests in such Tract, to the Working Interest Owners in the Tract who have executed
 12 indemnity agreements.

13 NO. 2 ALTERNATE¹

14 SECTION 9.1.3

15 9.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent
 16 (100%) of the Working Interest have become Parties to this Agreement, but as to which the
 17 Working Interest Owner who operates the Tract has become a Party thereto; and (a) Royalty
 18 Owners owning _____ percent (___%)² or more of the Royalty Interest have become Parties to
 19 this Agreement or all Working Interest Owners in the Tract who have become Parties to this
 20 Agreement have executed and delivered, or have obligated themselves to execute and deliver, an
 21 indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest
 22 Owners in the Unit Area, their successors and assigns, against a portion of all claims and demands
 23 that may be made by nonsubscribing owners of Royalty Interest in such Tract on account of the
 24 inclusion of the Tract in the Unit Area, except for failure of title arising because of Unit Operations
 25 (which portion of such claims and demands covered by the indemnity shall, as to such Tract, be
 26 the fraction thereof in which the numerator is the difference between the percentage of the Royalty
 27 Interest committed hereto and _____ percent (___%)² of the Royalty Interest in the Tract, and
 28 the denominator is the difference between the percentage of the Royalty Interest committed hereto
 29 and one hundred percent (100%) of the Royalty Interest in the Tract); and as to which (b) the
 30 Working Interest Owner who operates the Tract and all of the other Working Interest Owners in
 31 such Tract who have become Parties to this Agreement have joined in a request for inclusion of
 32 such Tract in the Unit Area, and have executed and delivered, or have obligated themselves to
 33 execute and deliver, an indemnity agreement indemnifying and agreeing to hold harmless the
 34 other Working Interest Owners in the Unit Area, their successors and assigns, against all claims
 35 and demands that may be made by the owners of Working Interest in such Tract who are not
 36 Parties to this Agreement, and which arise out of the inclusion of the Tract in the Unit Area; and
 37 as to which (c) Working Interest Owners having _____ percent (___%) or more of the combined

¹ Numbering of alternate Sections as No. 1 and No. 2 is for identification only and does not indicate any order of preference.

² Percent shown here should be same as that inserted in blanks in Section 9.1.1.

voting interest in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreements. For the purpose of this Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections 9.1.1 and 9.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2.

9.1.3.1 Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of Working Interest in such Tract, had they become Parties to this Agreement and the Unit Operating Agreement, shall be attributed, in proportion to their respective Working Interests in such Tract, to the Working Interest Owners in the Tract who have executed indemnity agreements against the claims of nonsubscribing owners of Working Interests.

ADDED

SECTION 9.1.4

9.1.4 Each Tract, regardless of the percentage of Working Interest or Royalty Interest therein that has been committed hereto, as to which (a) the Working Interest Owner who operates the Tract has become a Party to this Agreement and (b) Working Interest Owners having ____ percent (____%) or more of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections 9.1.1, 9.1.2, or 9.1.3 vote in favor of the inclusion of such Tract. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become Parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in all qualified Tracts in proportion to their respective Unit Participations. For the purpose of this Section 9.1.4, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Sections 9.1.1, 9.1.2, and 9.1.3 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1, 9.1.2, and 9.1.3.

PART III

The following is a suggested form of agreement to become a Party to the Unit Agreement or Unit Operating Agreement, or both, by Parties who do not sign the original or a counterpart thereof.

AGREEMENT TO BECOME A PARTY TO

UNIT AGREEMENT OR UNIT OPERATING AGREEMENT

OR BOTH

_____ UNIT

_____ COUNTY, _____

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, an Agreement entitled "Unit Agreement, _____ Unit, _____ County, _____", dated _____, and recorded in the office of the _____ of _____ County,

_____, in Book _____, Page _____, provides that any owner of a Royalty Interest or Working Interest, or both, in and to any Tract described therein may become a Party to the Agreement by signing an instrument agreeing to become a Party thereto; and

WHEREAS, a companion agreement entitled "Unit Operating Agreement, _____ Unit, _____ County, _____", of like date, likewise provides that any owner of a Working Interest in and to any Tract described therein may become a Party to the Unit Operating Agreement by signing an instrument agreeing to become a Party thereto; and

WHEREAS, each of the undersigned represents that it is the owner of a Royalty Interest, Working Interest, or both, in and to one or more of the Tracts described in said Agreements, namely, the Tracts below described opposite their respective signatures;¹

NOW, THEREFORE, in consideration of the mutual agreements of the Parties to the respective Agreements, the undersigned owners of Royalty Interest hereby agree to become Parties to the Unit Agreement, and the undersigned owners of Working Interest, or owners of both Working Interest and Royalty Interest, hereby agree to become Parties to both the Unit Agreement and the Unit Operating Agreement, with respect to all of their interests in and to all of the Tracts described in said Agreements.

The undersigned owners of Royalty Interest hereby acknowledge receipt of a full and true copy of the Unit Agreement and the undersigned owners of Working Interest hereby acknowledge receipt of full and true copies of both the Unit Agreement and the Unit Operating Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument on the date set forth opposite its signature.

[Provide for appropriate execution by corporations (with attests), individuals, and other Parties, as may be required, with place for "date signed" after each signature, and place for Tract number, or description, or both Tract number and description, if either or both are to be shown. Also provide acknowledgments that conform to the laws of the State wherein the land is located.]

¹ Omit the clause "namely the Tracts below described opposite their respective signatures", if the particular Tracts are not to be so described. A description, either by Tract number or full description, may be necessary in states having laws requiring such description for recording purposes.

Order No. 811-10800

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