

Model Form of Statutory Unit Agreement

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MODEL FORM OF STATUTORY UNIT AGREEMENT

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FOREWORD

The API Model Form of Statutory Unit Agreement and the companion Model Form of Statutory Unit Operating Agreement were issued as First Editions, March 1974. The revised Second Editions, April 1, 1993, supersede and replace the First Editions of these model forms. The revised editions have been prepared to update these model forms to include revisions found from experience to be desirable.

These model forms are designed for use in states where so-called "fieldwide" units may be established by order of the appropriate regulatory agency for the purpose of increasing the ultimate recovery of oil and gas.

Because of similarities in accomplishing unitization, either voluntarily or under statutory authority, these model forms are patterned after *Model Form 5U01: Model Form of Voluntary Unit Agreement, Fourth Edition*, April 1993, and *Model Form 5U02: Model Form of Voluntary Unit Operating Agreement, Fourth Edition*, April 1993. Appropriate modifications and footnotes reflect requirements and prohibitions of various state statutes. *Being general in nature, these forms require adaptation to conform to conditions of particular units and to requirements concerning execution, acknowledgment, and recordation.*

Statutes of some states contemplate that the Unit Agreement and Unit Operating Agreement will be consolidated into a single document for approval by participants and the appropriate regulatory agency. The single document would consist of two parts corresponding to the two model forms. In other states, the two model forms can be used as separate documents.

The revised model forms were prepared by the Subcommittee on Unit Operations under the administration of the API Executive Committee on Drilling & Production Practices.

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 requirements relating to operation of the lease. Users of the model form or portions or variations thereof should seek the advice of counsel to ensure that the agreement reflects the actual intent of the parties, is proper under the applicable business circumstances, and is appropriate under the governing statute. 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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API IS NOT UNDERTAKING TO MEET DUTIES OF EMPLOYERS, MANUFACTURERS, AND SUPPLIERS TO WARN AND PROPERLY TRAIN AND EQUIP THEIR EMPLOYEES, AND OTHERS EXPOSED, CONCERNING SAFETY AND HEALTH RISKS AND PRECAUTIONS, NOR UNDERTAKING THEIR OBLIGATIONS UNDER LOCAL, STATE, OR FEDERAL LAWS.

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UNIT AGREEMENT¹

UNIT

COUNTY,²

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,

WITNESSETH:

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, pursuant to ____.^{3, 4}

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 15.1.

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.

1.3⁵ 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,

¹ Michigan, Nebraska, and New Mexico: Add "(Plan of Unitization)" below title, "UNIT AGREEMENT".

² Alaska: Use "Borough"; Louisiana: Use "Parish", throughout this Agreement.

³ Insert applicable statutory citation.

⁴ See Part I of Supplement for unanimous agreement provisions, except for Georgia.

⁵ For Alaska, Nevada, North Dakota, and Oklahoma, see statutory requirement for establishment of Operating Committee. Operating Committee should be defined and inserted as Section 1.3 and subsequent Sections 1.3 through 1.19 should be renumbered.

1 executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any de-
2 partment, agency, or instrumentality of the state, or any governmental subdivision thereof, or any
3 other entity capable of holding an interest in the Unitized Formation.

4 **1.5 Royalty Interest** is a right to or interest in any portion of the Unitized Substances or
5 proceeds thereof other than a Working Interest.

6 **1.6 Royalty Owner** is a Party hereto who owns a Royalty Interest.

7 **1.7 Tract** is the land described as such and given a tract number in "Exhibit B".

8 **1.8 Tract Participation** is the percentage shown on "Exhibit B" for allocating Unitized Sub-
9 stances to a Tract.

10 **1.9 Unit Area** is the land described by Tracts in "Exhibit B" and shown on "Exhibit A"¹ as to
11 which this Agreement becomes effective or to which it may be extended as herein provided.

12 **1.10 Unit Equipment** is all personal property, lease and well equipment, plants, and other
13 facilities and equipment taken over or otherwise acquired for the joint account for use in Unit
14 Operations.

15 **1.11 Unit Expense** is all cost, expense, or indebtedness incurred by Working Interest Owners
16 or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account
17 of Unit Operations.

18 **1.12 Unit Operations** are all operations conducted pursuant to this Agreement and the Unit
19 Operating Agreement.

20 **1.13 Unit Operating Agreement** is the agreement entered into by Working Interest Owners,
21 having the same Effective Date as this Agreement, and entitled "Unit Operating Agreement,
22 _____ Unit, _____ County, _____".²

23 **1.14 Unit Operator** is the Working Interest Owner designated by Working Interest Owners
24 under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as
25 a Working Interest Owner.

26 **1.15 Unit Participation** of a Working Interest Owner is the sum of the percentages obtained
27 by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies
28 for inclusion within the Unit Area by the Tract Participation of such Tract.

29 **1.16 Unitized Formation** is the subsurface portion of the Unit Area described as

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

30 **1.17 Unitized Substances** are all oil, gas, gaseous substances, sulphur contained in gas, con-
31 densate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than
32 Outside Substances within or produced from the Unitized Formation.

33 **1.18 Working Interest** is an interest in Unitized Substances by virtue of a lease, operating
34 agreement, fee title, or otherwise, including a carried interest, the owner of which interest is
35 obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense;³

¹ Louisiana: Add "and Exhibit C", and redesignate subsequent exhibits accordingly.

² Alaska, Arizona, Kansas, Michigan, Mississippi, Nevada, North Dakota, Oklahoma, and West Virginia: Add "and with this Agreement constitutes the Plan _____". For Alaska, Arizona, Mississippi, Nevada, North Dakota and Oklahoma, use "Plan of Unitization". For Kansas, Michigan, and West Virginia, use "Plan for Unit Operations".

³ For Louisiana delete remainder of sentence.

however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof. A Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

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

ARTICLE 2

EXHIBITS

2.1 Exhibits.¹ 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"² 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,³ 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 stating the effective date for the revised exhibit and file the same with _____⁴ and for record in the county or counties in which this Agreement is filed.⁵

¹ Louisiana: Add "2.1.3 'Exhibit C'" is a schedule identifying the Leases and unleased Tracts to which this Agreement is applicable, including recording references."

² Louisiana: Add "and 'Exhibit C'".

³ Alaska, Nevada, North Dakota, and Oklahoma: Insert "the Operating Committee" in lieu of "Working Interest Owners."

⁴ Insert name of appropriate regulatory agency.

⁵ Kansas: Delete "and for record in the county or counties in which this Agreement is filed".

ARTICLE 3

CREATION AND EFFECT OF UNIT¹

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

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in full force and effect. Royalty Owners agree that any default, forfeiture, or penalty provision in any such oil and gas lease or other contract shall be suspended and of no force or effect during the term of this Agreement.

3.4 Continuation of Leases and Term Interests.² Production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, or other Unit Operations shall be considered as production from or operations upon each Tract, and such production or operations shall continue in effect each lease or term mineral or royalty interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each Tract.

OPTIONAL LANGUAGE — Each signatory Royalty Owner hereto 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.

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

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to Oil and Gas Rights by any Party to any other Party or to Unit Operator.

3.6 Injection Rights. Royalty Owners hereby grant Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners³

¹ Michigan: An optional Section may be added to this Article to provide: "3.9 Unit as Legal Entity. The unit, through the Unit Operator, shall be capable of suing, being sued, or contracting as such in its own right".

² Mississippi: See Part II of Supplement. Wyoming: See Part III of Supplement.

³ See Footnote 3 in Section 2.4.

deem expedient for Unit Operations, together with the right to drill, use, and maintain injection wells on the Unit Area, and to use for injection purposes any nonproducing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formation.

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

3.8 Cooperative Agreements. Unit Operator may, after approval by Working Interest Owners,^{1,2} enter into cooperative agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 4

PLAN OF OPERATIONS

4.1 Unit Operator. _____ is hereby designated as the initial Unit Operator. 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.)³

4.3 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners⁴ 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.⁴ 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.⁵ 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 B" are accepted and approved by the signatory 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.⁶ If the Unit Area is enlarged or reduced, the revised Tract

¹ See Footnote 3 in Section 2.4.

² Georgia: May be subject to approval of the Georgia Board of Natural Resources per Georgia Oil and Gas and Deep Drilling Act of 1975 §43706(b).

³ Mississippi: See Part IV of Supplement for additional provision.

⁴ Alabama, Colorado, Georgia, Montana, New Mexico, New York, Ohio, Oregon, South Dakota, Utah, and Wyoming: The Unit Agreement should provide for the approval of a change of method of operation by the appropriate regulatory agency.

⁵ See Part V of Supplement in case of multi-phase Tract Participations.

⁶ Louisiana: Delete Section 5.2.

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 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 such share of Unitized Substances.

6.4 Failure to Take in Kind. If any Party fails to take in kind or separately dispose of such Party's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the Party owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other Party's share

of 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 shall any such contract be for a period in excess of one (1) year. The proceeds 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.

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 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.¹

7.2 Overproduction.² 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

TITLES

9.1 Warranty and Indemnity. Each Person who, by acceptance of produced Unitized Substances or the proceeds thereof, may claim to own a Working Interest or Royalty Interest in and to any Tract or in the Unitized Substances allocated thereto, shall be deemed to have warranted its title to such interest, and, upon receipt of the Unitized Substances or the proceeds thereof to the credit of such interest, shall indemnify and hold harmless all other Persons in interest from any loss due to failure, in whole or in part, of its title to any such interest.

9.2 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 Owners³ 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,³ whereupon the proceeds so impounded shall be paid to the Party rightfully entitled thereto.

9.3 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

¹ Louisiana: Delete the last sentence in Section 7.1.

² Louisiana: Delete Section 7.2.

³ See Footnote 3 in Section 2.4.

may, with approval of Working Interest Owners,¹ 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.

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

ARTICLE 10

EASEMENTS OR USE OF SURFACE

10.1 Grant of Easements. Working Interest Owners shall have 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 campsite or a plant site for water injection, gas injection, or gas processing.

10.2 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.

10.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 11

CHANGES AND AMENDMENTS

11.1 Changes and Amendments.² Any change of the Unit Area or any amendment to this Agreement or the Unit Operating Agreement shall be in accordance with _____.³

ARTICLE 12

RELATIONSHIP OF PARTIES

12.1 No Partnership. The duties, obligations, and liabilities of the Parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or

¹ See Footnote 3 in Section 2.4.

² Indiana, Tennessee, Louisiana, and West Virginia: The statute is silent as to changes and amendments. Louisiana: See Part VI of Supplement.

³ Insert applicable statutory citation.

liability with regard to any one or more of the Parties hereto. Each Party hereto shall be individually responsible for its own obligations as herein provided.

12.2 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.

12.3 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.

12.4 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 13

LAWS AND REGULATIONS

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

13.2 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 14

FORCE MAJEURE

14.1 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.

ARTICLE 15

EFFECTIVE DATE

15.1 Effective Date. This Agreement shall become effective as of the date determined by Working Interest Owners¹ in accordance with the voting provisions of the Unit Operating Agreement. Such determination by Working Interest Owners shall be made in accordance with an order approving this unit by _____.²

15.2 Ipso Facto Termination. If this unit is not made effective on or before _____, this Agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least _____ percent (____%) have become Parties to this Agreement and Working Interest Owners owning _____ percent (____%) or more of that percent have decided to extend the termination date for a period not to exceed _____. If the termination date is so extended and this unit is not made effective on or before the extended termination date, this Agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this Section, Unit Participation shall be as calculated on the basis of Tract Participations shown on the original "Exhibit B".

15.3 Certificate of Effectiveness.³ Unit Operator shall promptly file with _____⁴ and for record in the county or counties in which the land affected is located a certificate stating the Effective Date.

ARTICLE 16

TERM

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

16.2 Termination by Working Interest Owners. This Agreement may be terminated by Working Interest Owners owning a combined Unit Participation of _____ percent (____%) or more whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.⁵

16.3 Effect of Termination. Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall 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.

¹ See Footnote 3 in Section 2.4.

² Insert name of appropriate regulatory agency.

³ Louisiana: Delete Section 15.3. Kansas: Revise Section 15.3 to provide, "Unit Operator shall submit to the Corporation Commission a certificate stating the Effective Date."

⁴ Insert name of appropriate regulatory agency.

⁵ Louisiana: Add "and such termination has been approved by order of the Commissioner of Conservation."

16.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting the separate Tracts, Working Interest Owners shall have a period of six (6) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

16.5 Certificate of Termination.¹ Upon termination of this Agreement, Unit Operator shall file with _____² and 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 17

EXECUTION

17.1 Original, Counterpart, or Other Instrument. An owner of Oil and Gas Rights may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement.³ The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.⁴

17.2 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 18⁵

DETERMINATIONS BY WORKING INTEREST OWNERS

18.1 Determinations by Working Interest Owners. All decisions, determinations, or approvals by Working Interest Owners hereunder shall be made pursuant to the voting procedure of the Unit Operating Agreement, unless otherwise provided herein.

ARTICLE 19

GENERAL

19.1⁶ 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 herein.

19.2 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.

19.3 Lien and Security Interest of Working Interest Owners.⁷ 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.

19.4 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

¹ Kansas: Revise Section 16.5 to provide, "Unit Operator shall submit to the Corporation Commission a certificate stating that this Agreement has terminated, stating its termination date." Louisiana: Delete Section 16.5.

² Insert name of appropriate regulatory agency.

³ See Part VII of Supplement.

⁴ Alaska, Arizona, Kansas, Michigan, Mississippi, Nevada, North Dakota, Oklahoma, and West Virginia: Add ", and shall constitute approval of the entire Plan composed of this Agreement and the Unit Operating Agreement."

⁵ Alaska, Arizona, Michigan, Nevada, and Oklahoma: Delete Article 18 and renumber all succeeding Articles.

⁶ Georgia: Delete Section 19.1 and renumber succeeding provisions.

⁷ Louisiana: Delete Section 19.3.

disregarded in construing this Agreement.

19.5 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 20

SUCCESSORS AND ASSIGNS

20.1 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, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates 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	Acres	Tract Participation
1	X Oil Co.	Riverbed	SE/4SW/4, Sec. 12. T24N, R6E	40	0.29830
2	_____	_____	_____	_____	_____
				Total	100.00000

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

This supplement contains alternate and added provisions and exhibits. It also contains suggested forms for approval of the Unit Agreement or the Unit Operating Agreement, or both, by persons who do not sign the original or a counterpart thereof.

PART I

To avoid the necessity of regulatory agency approval where it is anticipated there may be unanimous approval of the Agreement by all Royalty Owners and all Working Interest Owners add at the end of the WHEREAS clause on page 1, "or by unanimous approval of all Royalty Owners and all Working Interest Owners", and substitute the following for Article 15:

ARTICLE 15

EFFECTIVE DATE

15.1 Effective Date. This Agreement shall become effective at such date as determined by Working Interest Owners in accordance with the voting provisions of the Unit Operating Agreement. Such determination by Working Interest Owners shall be in accordance with an order approving this unit by _____;² provided, however, that if this Agreement has been approved in writing by all Royalty Owners and Working Interest Owners, all provisions of this Agreement pertaining to regulatory approval shall be considered deleted.

PART II

In Mississippi, substitute the following for Section 3.4:

3.4 Continuation of Leases and Term Interests. The portion of Unitized Substances produced and allocated to a Tract shall be deemed, for all purposes, to have been produced from such Tract, and operations with respect to any Tract shall be deemed for all purposes to be the conduct of operations for the production of oil or gas, or both, from each Tract. Provided, however, when an oil, gas, and mineral lease contains land partially within and partially without the Unit Area, this Agreement and production from the Unit Area shall have no force and effect on lands lying outside the Unit Area and failure of the lessee or lessees thereof to drill and develop such lands lying outside the Unit Area within one (1) year or during the term of the lease, whichever is a longer period of time, from the date of determination of the Unit Area by the State Oil and Gas Board shall render such lease or leases on lands lying outside the Unit Area void and of no force and effect, unless held by production other than from production of Unitized Substances.

PART III

In Wyoming, add the following to Section 3.4:

Any lease, other than a state or Federal lease, which covers lands that are in part within and in part outside the Unit Area shall be vertically segregated into separate leases, one covering the lands within the Unit Area and the other covering the lands outside the Unit Area. The segregated

¹ Georgia: Does not apply in Georgia which requires approval by the Georgia Board of Natural Resources for all Unit Agreements. *Georgia Oil and Gas and Deep Drilling Act of 1975 §43-706(b).*

² Insert name of appropriate regulatory agency.

leases shall cover all formations. The segregation shall be effective as of the anniversary date of the lease next ensuing after ninety (90) days from the Effective Date; provided, however, that any such segregated lease as to the outside lands shall continue in force and effect for the primary term thereof, but for not less than two (2) years from the effective date of such segregation and so long thereafter as operations are conducted under the provisions of the lease.

PART IV

In Mississippi, add the following to Section 4.2:

All Unitized Substances shall be produced and sold as rapidly as possible without decreasing the ultimate recovery of such Unitized Substances or causing damage to the Unitized Formation.

PART V

For multi-phase Tract Participations, substitute the following for Section 5.1:

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:

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

PART VI

In Louisiana, the following may be substituted for Article 11.1:

11.1 Changes and Amendments. The Unit Area and the Tract Participations may not be revised as a result of a re-evaluation of the basic data upon which the Unit Area and the Tract Participations were fixed. The Unit Area or the Tract Participations, or both, may be revised by the Commissioner of Conservation after public hearing at which new and additional geological, engineering, or other evidence has been presented to support such revision.¹ The effective date of any such revision shall be the effective date of the order issued by the Commissioner of Conservation following the public hearing at which such evidence was received.

¹ The Commissioner of Conservation has also adopted Unit Agreements which require that revisions in Unit Area and Tract Participations be approved by the statutory percentages required for initial adoption of the Unit Agreement.

PART VII

The following forms are for use in obtaining concurrence by Persons who do not sign the Unit Agreement or Unit Operating Agreement. The first form is for use in states that require or permit separate Unit Agreements and Unit Operating Agreements. The second form is for use in states that require a single document, combining both agreements.

**APPROVAL OF
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 ____, provides that any owner of a Royalty Interest or Working Interest, or both, in and to any Tract identified therein may approve such Agreement by signing an instrument of approval; 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 identified therein may approve such Agreement by signing an instrument of approval; 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 identified in said Agreements, namely, the Tracts below identified opposite their respective signatures;

NOW, THEREFORE, the undersigned owners of Royalty Interest hereby approve the Unit Agreement, and the undersigned owners of Working Interest, or owners of both Working Interest and Royalty Interest, hereby approve both the Unit Agreement and the Unit Operating Agreement.

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 his signature.

[Provide for appropriate execution by corporations, individuals, and other persons, as may be required, with place for "date signed" after each signature and place for Tract identification. Also provide acknowledgments that conform to the law of the state wherein the land is located.]

APPROVAL OF PLAN _____

UNIT

COUNTY, _____

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, an instrument entitled "Plan _____ Unit, _____ County, _____", dated _____, provides that any owner of a Royalty Interest or Working Interest, or both, in and to any Tract identified therein may approve such plan by signing an instrument of approval; and

NOW, THEREFORE, the undersigned owners of Royalty Interest and the undersigned owners of Working Interest, or owners of both Working Interest and Royalty Interest, hereby approve such plan.

The undersigned owners of Royalty Interest and Working Interest hereby acknowledge receipt of a full and true copy of such plan.

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

[Provide for appropriate execution by corporations, individuals, and other Persons, as may be required, with place for "date signed" after each signature and place for Tract identification. Also provide acknowledgments that conform to the law of the state wherein the land is located.]

Order No. 811-10820

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