

CD 76374



PLAN OF UNITIZATION
ALMA PICKENS UNIT
STEPHENS COUNTY, OKLAHOMA

EXHIBIT No. 1

5-1-69

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PLAN OF UNITIZATION
ALMA PICKENS UNIT
STEPHENS COUNTY, OKLAHOMA

WITNESSETH

The following shall constitute the Plan of Unitization applicable to the Alma Pickens Unit, Stephens County, Oklahoma, created pursuant to authority of Sections 287.1 - 287.15, inclusive, Title 52, Oklahoma Statutes, 1961; and having for its purpose the unitized management, operation, and further development of the Unitized Formation as herein defined, all to the end that a greater ultimate recovery of Oil and Gas may be had therefrom, waste prevented and the correlative rights of the respective owners protected.

ARTICLE 1
DEFINITIONS

As used in this Plan of Unitization, the terms herein shall have the following meaning:

- 1.1 Unit means the Alma Pickens Unit.
- 1.2 Unit Area means the lands described by Tracts in Exhibit A and shown on Exhibit B.
- 1.3 Unitized Formation means that common source of supply of Oil and Gas underlying the Unit Area, and commonly known or described as follows:

That portion of Deese sands common source of supply encountered in the electric log interval from 3353 feet to 4690 feet in the Mobil Oil Corporation C. S. Goodwin well No. 18 located in the SE/4 SW/4 NE/4 Section 10, Township 1 South, Range 4 West, Stephens County, Oklahoma

1.4 Unitized Substances (unit production) means all Oil and Gas within or produced from the Unitized Formation.

1.5 Oil and Gas means not only oil and gas as such in combination one with the other but means oil, gas, casinghead gas, casinghead gasoline, condensate, or other hydrocarbons or associated minerals, or any combination thereof.

1.6 Lessee means an owner of an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. The owner of Oil and Gas Rights that are free of lease or other instrument conveying the working interest to another shall be regarded as a Lessee to the extent of 7/8 of its interest in Unitized Substances, and as a Royalty Owner with respect to its remaining 1/8 interest therein.

1.7 Royalty Owner means an owner of an interest in any portion of the Unitized Substances or proceeds thereof other than that of a Lessee.

1.8 Tract means each parcel of land described as such and given a Tract number in Exhibit A.

1.9 Unit Operator means the Lessee designated to develop and operate the Unitized Formation, acting as Operator and not as a Lessee.

1.10 Operating Committee means the committee as constituted under Article 11 of this Plan of Unitization.

1.11 Tract Participation means the percentage shown on Exhibit A for allocating Unitized Substances to a Tract under this Plan of Unitization.

1.12 Unit Participation of each Lessee means the sum of the percentages obtained by multiplying the working interest of such Lessee in each Tract by the Tract Participation of such Tract.

1.13 Outside Substances means: all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.14 Oil and Gas Rights means the right 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.

1.15 Unit Operations means all operations conducted by the Unit or Unit Operator pursuant to this Plan of Unitization for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

1.16 Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.17 Unit Expense means all cost, expense, or indebtedness incurred by the Unit or Unit Operator pursuant to this Plan of Unitization.

1.18 Effective Date means the time when the Unit takes over and commences Unit Operations.

1.19 Commission means the Corporation Commission of the State of Oklahoma.

1.20 Person means any individual, corporation, partnership, common law or statutory trust, association of any kind, the State of Oklahoma, or any subdivision or agency thereof acting in a proprietary capacity, guardian, executor, administrator, fiduciary of any kind, or any entity capable of holding an interest in the Unitized Formation.

1.21 Singular and Plural - Gender. Unless the context otherwise clearly indicates, words used in the singular includes the plural, the plural include the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE 2

EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference.

2.1.1 Exhibit A, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.3 Exhibit C, which is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Plan of Unitization and Exhibit C, this Plan of Unitization shall prevail.

2.1.4 Exhibit D, which contains insurance provisions applicable to Unit Operations.

2.2 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 hereof, should be divided into more than one Tract, or that any error has been made in the preparation of exhibits or information shown thereon, Unit Operator, with the approval of the Commission, may 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 shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing of the revised exhibit with the Secretary of the Commission, or on such other date as may be determined by the Operating Committee and set forth in the revised exhibit.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this Plan of Unitization, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit A, and all Oil and Gas Rights of Lessees 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 as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Lessees, and as if the lease had been subject to all of the provisions of this Plan of Unitization.

3.2 Personal Property Excepted. Subject to the provisions of Article 16, all lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Lessees on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Lessees.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Plan of Unitization, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation shall be considered as like operations upon or production from each Tract, and such operations or production shall constitute a compliance with and continue in effect each lease, term royalty, or other agreement as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any Person to any other Person or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. The Unit Operator shall have the right to inject into the Unitized Formation any substances in whatever amounts the Operating Committee deems expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for such purposes.

3.7 Development Obligation. Nothin herein shall relieve the Unit or Unit Operator from the obligation to develop reasonably as a whole the lands and leases subject hereto.

3.8 Cooperative Agreements. The Lessees as a prudent means in the interest of conservation and to increase the recovery of Unitized Substances may execute, or authorize and empower the Unit Operator to execute in their behalf, agreements with the owners of Working Interests in lands outside the Unit Area for cooperative development, operation, fluid injection or similar programs with respect to the equivalent of the Unitized Formation outside the Unit Area and the Unitized Formation. Any such agreement shall make provision for the drilling or conversion, equipping and operation of compensating fluid injection wells in the Unitized Formation and adjoining equivalent of the Unitized Formation outside the Unit Area. The rate of fluid injection into such wells inside the Unit Area shall be approximately equal to the rate of injection into such wells outside the Unit Area. Any such cooperative agreement shall in no way affect or alter the percentages of participation established hereunder as to the parties hereto, nor shall the same provide for the sharing or allocation of production as between the Unit Area, as herein defined, and any outside lands.

ARTICLE 4

PLAN OF OPERATION

4.1 Operating Methods. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, the Unit Operator, under direction of the Operating Committee, shall, with diligence and in accordance with good engineering and production practices, engage in waterflood operations in the Unitized Formation.

4.2 Change of Operating Methods. Nothin herein shall prevent the Operating Committee from discontinuing or changing in whole or in part any method of operation which, in its opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by the Operating Committee from time to time if determined by it to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5

ALLOCATION OF UNITIZED SUBSTANCES

5.1 Tract Participation. The Tract Participation of each Tract is shown in Exhibit A.

5.2 Allocation to Tracts. All Unitized Substances that are produced, except that used in Unit Operations or unavoidably lost, 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 it 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.

5.3 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the Persons 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 Plan of Unitization not been adopted, and with the same legal effect. If any Oil and Gas Rights in a Tract are or 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. A one-eighth (1/8) part of the Unit Production allocated to each Tract shall in all events be regarded as royalty to be distributed to and among, or the proceeds thereof paid to, the Owners of Royalty Interest, free and clear of all Unit Expense and free of any lien therefor.

5.4 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Persons entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such Persons or the purchasers of the Unitized Substances shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that 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 the Unitized Substances shall be borne by the receiving Person. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Lessee of such Royalty Owner shall be entitled to take in kind such share of the Unitized Substances.

5.5 Failure to Take in Kind. If any Person fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the

Person owning the share, to purchase for its own account or sell to others such share; provided that all contracts of sale by Unit Operator of any other Person'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 year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Person entitled thereto.

5.6 Production Where Title is in Dispute. If the title or right of any person 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 the Operating Committee, shall either:

a. Require that the Person 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 Person fails in whole or in part, or

b. Withhold and market the portion of the 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 the Operating Committee, whereupon the proceeds so impounded shall be paid to the Person rightfully entitled thereto.

5.7 Responsibility for Royalty Settlements. Any Person receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the Persons entitled thereto, and shall indemnify all other Persons, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

5.8 Sliding Scale Royalty. Any royalty or interest in production, or the proceeds or value thereof, which varies under the terms of the instrument creating it, according to actual production from a Tract or Tracts or according to the capability of a well or wells located thereon to produce shall, on and after the Effective Date hereof, be computed, insofar as production from the Unit Area is concerned, upon that portion of the Unit Production from the Unit Area which is allocated to the particular Tract or Tracts and not upon the actual production of Oil and Gas from such Tract or Tracts or upon the capability of a well or wells located thereon to produce. If any such royalty, or interest in production, or the proceeds or value thereof, depends on the average production per well or average pipeline runs per well on any given Tract or Tracts for any specified period, such average per well production or such average per well pipeline runs shall, insofar as production from the Unit Area is concerned, be determined on and after the Effective Date by dividing the production allocated hereunder to such Tract or Tracts by the number of wells located thereon capable of producing as of the Effective Date; provided that if there are no wells on the Tract capable of producing as of the Effective Date, then such Tract shall be treated as having one well.

5.9 Royalty on Outside Substances. No payments shall be due or payable to Royalty Owners on any Outside Substances.

5.9.1 Gas. If gas is the outside Substance injected, fifty percent (50%) of any gas subsequently produced from the Unitized Formation and sold, or used for other than Unit Operations, shall be deemed to be Outside Substance so injected until the total volume thereof equals the total volume of the Outside Substance so injected.

5.9.2 Liquid Hydrocarbons. If liquid hydrocarbons are the Outside Substances injected and the Unitized Substances subsequently produced contain such liquid hydrocarbons as determined by the Operating Committee by applicable tests, then commencing on the first day of the calendar month following such a determination, ten percent (10%) of all oil produced from the Unitized Formation and sold during any month, shall be deemed to be the Outside Substances so injected until the total value thereof equals the total cost of the Outside Substances so injected.

ARTICLE 6

USE OR LOSS OF UNITIZED SUBSTANCES

6.1 Use of Unitized Substances. Unit Operator may use or consume as much of the Unitized Substances as it deems necessary for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

6.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable upon, or with respect to, Unitized Substances used or consumed in Unit Operations or which otherwise may be lost or consumed in the production, handling, treating, transportation or storing of Unitized Substances.

ARTICLE 7

TITLES

7.1 Title Information. Upon request of the Operating Committee, the Lessees of a Tract shall furnish and make available to the Operating Committee or the Unit Operator an abstract brought to the date of the request, together with all other title information in the possession of such Lessees, affecting their title and that of their Royalty Owners to the Oil and Gas Rights in and to such Tract.

7.2 Warranty and Indemnity. Each Person who may claim to own a Working Interest or Royalty Interest in and to any Tract or 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, except failure of title arising out of Unit Operations; provided that such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Plan of Unitization is concerned, as of the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom as a result of title failure.

7.3 Creation of New Interest. If any Lessee hereunder shall create any overriding royalty, production payment, or other similar interest, hereafter referred to as "New Interest", out of its interest subject to this Plan of Unitization, such New Interest shall be subject to all the terms and provisions of this Plan. In the event the Lessee owning the interest from which the New Interest was created fails to pay any expenses and costs chargeable to it under this Plan and the production to the credit of such Lessee is insufficient for that purpose, the owner of the New Interest will be liable for the pro rata portion of all costs and expenses which the original Lessee, creating such New Interest, would have been liable by virtue of his ownership of the New Interest had the same not been transferred. In this event, the lien provided in Section 17.6 may be enforced against such New Interest. If the owner of the New Interest bears a portion of the costs and expenses or the same is enforced against such New Interest, the owner of the New Interest will be subrogated to the rights of the Unit Operator with respect to the interest primarily chargeable with such costs and expenses.

ARTICLE 8

EASEMENTS OR USE OF SURFACE

8.1 Grant of Easements. The Unit and Unit Operator shall have the right to use as much of the surface of the land within the Unit Area as reasonably may be necessary for Unit Operations; provided that nothing herein shall be construed as granting the Unit or Unit Operator a site for a water, gas injection, processing, or other such plant or campsite.

8.2 Use of Water. The Unit and Unit Operator shall have free use of water from the Unit Area for Unit Operations, including the right to drill water supply wells; provided that Unit Operator will not use potable water

from Unit Area unless acquired by separate contract with the rightful owners of the potable water. Unit Operator shall not use water from any well, lake, pond, or irrigation ditch of a landowner without consent of the landowner.

8.3 Surface Damages. The Unit or Unit Operator shall pay the rightful owners for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 9

INDIVIDUAL RELATIONSHIPS AND RIGHTS

9.1 No Partnership. The duties, obligations, and liabilities of the Lessees shall be several and not joint or collective. This Plan of Unitization is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the Lessees. Each Lessee shall be individually responsible for its own obligations as herein provided.

9.2 No Sharing of Market. Nothing herein shall be construed to provide directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

9.3 Information to Royalty Owners. Each Royalty Owner shall be entitled to receive from its Lessee all information which such Royalty Owner is entitled by an existing agreement.

9.4 Specific Rights of Lessees. Each Lessee shall have, among others, the following specific rights:

9.4.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

9.4.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports and all other information pertaining to Unit Operations, provided the cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Lessees shall be charged to the Lessee who requests the information.

ARTICLE 10

GENERAL POWERS OF UNIT

10.1 General Powers of Unit. The Unit is authorized for the account of all owners of Oil and Gas Rights within the Unit Area, without profit to the Unit, to supervise and conduct the further development and operation of the Unit Area for the production of Oil and Gas from the Unitized Formation, pursuant to the powers conferred and subject to the limitations imposed by the provisions of Sections 287.1 - 287.15, inclusive, Title 52, Oklahoma Statutes 1961, or any amendment thereof, and by this Plan of Unitization.

ARTICLE 11

CREATION OF OPERATING COMMITTEE AND SUPERVISION OF UNIT OPERATIONS

11.1 Creation of Operating Committee. An Operating Committee is hereby created to consist of one representative to be designated by each Lessee, provided that an individual Lessee may be a member of the Committee. Each Lessee shall in writing inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Lessee with respect to Unit Operations. Unit Operator likewise shall inform all other Lessees of the name and address of its representative. The representative or alternate may be changed from time to time by written notice to Unit Operator or other Lessees as the case may be.

11.2 Officers. The representative of the Unit Operator shall be Chairman of the Operating Committee. The Committee shall select a Secretary and other officers as the Committee deems proper. The Secretary and other officers may or may not be members of the Committee. The Secretary shall keep and maintain the records of the action of the Committee. The officers shall serve at the will of the Operating Committee and perform such other duties that are delegated to them by the Operating Committee.

11.3 Overall Supervision. The Operating Committee shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Plan of Unitization.

11.4 Specific Authorities and Duties. The matters with respect to which the Operating Committee shall decide and take action shall include, but not be limited to, the following:

11.4.1 Method of Operation. The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

11.4.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

11.4.3 Well Recompletions and Change of Status. The re-completion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

11.4.4 Expenditures. The making of any single expenditure, in excess of Ten Thousand Dollars (\$10,000.00); provided that approval by the Operating Committee of the drilling, reworking, drilling deeper, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the same, including necessary flow lines, separators, and lease tankage.

11.4.5 Disposition of Unit Equipment. The selling or otherwise disposing of any surplus Unit Equipment, if the current list price of new equipment similar thereto is Five Thousand Dollars (\$5,000.00) or more.

11.4.6 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that such designation shall not prevent any Lessee from appearing in person or from designating another representative in its own behalf.

11.4.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations; provided that the audits shall:

a. be made upon the affirmative vote of at least Seventy-Five percent (75%) of the voting interest remaining after excluding the voting interest of the Unit Operator,

b. be made at the expense of all Lessees other than the Lessee designated as Unit Operator,

c. not be conducted more than once each year except upon the resignation or removal of Unit Operator, and

d. be made upon not less than thirty (30) days' written notice to Unit Operator.

11.4.8 Inventories. The taking of periodic inventories under the terms of Exhibit C.

11.4.9 Technical Services. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided by Exhibit C.

11.4.10 Assignment to Committees. The appointment of committees to study any problems in connection with Unit Operations.

11.4.11 The removal of Unit Operator and the selection of a successor.

11.4.12 The adjustment and readjustment of investments.

11.4.13 The termination of Unit Operations and the Plan of unitization.

11.5 Meeting of Operating Committee. All meetings of the Operating Committee shall be called by Unit Operator upon its own motion or at the request of one or more Lessees having a combined total Unit Participation of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. The Operating Committee shall have the right to amend items included on the agenda and to decide the amended items or other items presented at the meeting. Minutes shall be made of all meetings of the Operating Committee and kept as part of the permanent records of the Unit. Such minutes need not be a verbatim record but shall include the action taken on all matters voted upon in the meeting and a record of all poll votes taken since the previous meeting. A copy of the minutes of each meeting shall be mailed to each member of the Operating Committee within a reasonable time after the meeting.

11.6 Voting Procedure. The Operating Committee shall decide all matters coming before it as follows:

11.6.1 Voting Interest. Each Lessee shall have a voting interest equal to its Phase II Unit Participation.

11.6.2 Vote Required - Generally. Unless otherwise specifically provided herein, all matters shall be decided by an affirmative vote of one (1) or more Lessees having sixty-five percent (65%) or more of the voting interest; provided that if any one Lessee has a voting interest in excess of thirty-five percent (35%) and such Lessee fails to vote or votes against any matter, then the affirmative vote of Lessees having ninety percent (90%) or more of the remaining voting interest shall decide the matter provided, however, in no event shall such affirmative vote be by less than fifty-one percent (51%) of the total voting interest of all Lessees.

11.6.3 Vote at Meeting by Nonattending Lessee. Any Lessee who is not represented at a meeting may vote by letter or telegram addressed to the representative of the Unit Operator if its vote is received prior to the vote on the item.

11.6.4 Poll Votes. The Operating Committee may vote on and decide, by letter or telegram, any matter submitted in writing to the members of the committee, if no meeting is requested, as provided in Section 11.5, within seven (7) days after the proposal is sent to the members.

ARTICLE 12

UNIT OPERATOR

12.1 Initial Unit Operator. Mobil Oil Corporation is hereby designated as Unit Operator.

12.2 Resignation or Removal. Unit Operator may resign at any time. The Operating Committee may remove Unit Operator by the affirmative vote of at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of Unit Operator. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of three (3) months after the resignation or discharge unless a successor Unit Operator has taken over the Unit Operations prior to the expiration of such period.

12.3 Selection of Successor. Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by the Operating Committee. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed.

ARTICLE 13

AUTHORITIES AND DUTIES OF UNIT OPERATOR

13.1 Exclusive Right to Operate Unit. Subject to the provisions of this Plan of Unitization and to instructions from the Operating Committee, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

13.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with the Operating

Committee and keep it informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Lessees for damages unless such damages result from its gross negligence or willful misconduct.

13.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area free from all liens and encumbrances occasioned by Unit Operations, except the lien of Unit and Unit Operator granted hereunder.

13.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

13.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

13.6 Reports to Lessees. Unit Operator shall furnish to Lessees periodic reports of Unit Operations.

13.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

13.8 Engineering and Geological Information. Unit Operator shall furnish to a Lessee, upon written request, a copy of the log and other engineering and geological data pertaining to any well drilled by Unit Operator.

13.9 Expenditures. Unit Operator is authorized to make all expenditures for normal or recurring operating expenses and other single expenditures not in excess of Ten Thousand Dollars (\$10,000.00) without prior approval of the Operating Committee. If an emergency occurs, Unit Operator may immediately make or incur expenditures that in its opinion are required to deal with the emergency. Unit Operator shall report to Lessees, as promptly as possible, the nature of the emergency and the action taken.

13.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the prevailing rate in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

ARTICLE 14

TAXES

14.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all real and personal property of each Lessee used or held by Unit Operator in Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account.

14.2 Other Taxes. Each Person shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or in respect of the production or handling of its share of Unitized Substances.

ARTICLE 15

INSURANCE

15.1 Insurance. Unit Operator, with respect to Unit Operations, shall do the following:

15.1.1 Comply with the workmen's compensation law of the State of Oklahoma.

15.1.2 Require that each contractor and subcontractor engaged in Unit Operations comply with the workmen's compensation law of the State of Oklahoma.

15.1.3 Carry or provide such other insurance as set forth in Exhibit D.

ARTICLE 16

ADJUSTMENT OF INVESTMENTS

16.1 Personal Property Taken Over. As of the Effective Date hereof, Lessees shall deliver to Unit Operator the following:

16.1.1 Wells. All wells shown on Exhibit B and the casing therein. All wells delivered to the Unit Operator shall be in usable physical condition, completed in some portion of the Unitized Formation, and physically separated from formations not a part of the Unitized Formation as of the Effective Date.

16.1.2 Well and Lease Equipment. The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which the Operating Committee determines is necessary or desirable for conducting Unit Operations; provided, however, that if any such wells are multiple completion wells, then the provisions of this subsection shall apply only to that equipment used in connection with the Unitized Formation.

16.1.3 Records. A copy of all production and well records that pertain to such wells.

16.2 Inventory and Evaluation of Personal Property. The Operating Committee shall at Unit Expense inventory and evaluate in accordance with the provisions of Exhibit C the personal property taken over, including electrical equipment, sucker rods and downhole pumps in addition to "Controllable Material" as defined in Exhibit C.

16.3 Investment Adjustment. Upon approval by the Operating Committee of the inventory and evaluation, each Lessee shall be credited with the value of its interest in all personal property taken over under Section 16.1.2 and shall be charged with an amount equal to that obtained by multiplying the total value of all personal property taken over under Section 16.1.2 by such Lessee's Phase II Unit Participation. If the charge against any Lessee is greater than the amount credited to such Lessee, the resulting net charge shall be an item of Unit Expense chargeable against such Lessee. If the credit to any Lessee is greater than the amount charged against such Lessee, the resulting net credit shall be paid to such Lessee by Unit Operator out of funds received by it in settlement of the net charges described above.

16.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be by negotiations between the owners thereof and Unit Operator, subject to the approval of the Operating Committee.

16.5 Ownership of Personal Property and Facilities. Each Lessee, individually, shall by virtue hereof own an undivided interest, equal to its Unit Phase II Participation, in all personal property and facilities taken over or otherwise acquired by the Unit or Unit Operator pursuant to this Plan of Unitization, instead of separately owning the equipment delivered to the Unit by the Lessees, and will have exchanged same for an undivided interest in and to all the equipment so taken over and acquired by the Unit and will have paid or have been paid, as the case may be, for any difference in value. The amount of any net charge made against a Tract under this Article 16 shall be treated and regarded in all respects the same as any other charge for Unit Expense chargeable to such Tract.

ARTICLE 17

UNIT EXPENSE

17.1 Basis of Charge to Lessees. Unit operator initially shall pay all Unit Expense. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit C. Except as otherwise provided herein, the Lessees obligated or responsible for the cost and expenses of operating a Tract in the absence of unitization, in the same proportion and to the same extent, shall be chargeable with and responsible for the payment of the Unit Expense charged against such Tract. During the period when Phase I Tract Participation Percentages are in effect, Unit Expense shall be apportioned among and assessed against the Tracts as follows: Unit Expense of an investment nature shall be borne on the basis of Phase II Tract Participation. Unit Expense of an operating nature and overhead charges shall be apportioned such that sixty percent (60%) shall be borne on the basis of Phase I Tract Participation and forty percent (40%) shall be borne on the basis of Phase II Tract Participation.

During the period when Phase II Tract Participation Percentages are in effect, all Unit Expense shall be borne on the basis of such percentages.

17.2 Budgets. Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year and on or before the first day of each August thereafter shall prepare such budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expenses by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected by the Operating Committee and Unit Operator whenever an adjustment or correction is proper. A copy of each such budget and adjusted budget shall be promptly furnished each Lessee.

17.3 Advance Billings. Unit Operator shall have the right to require Lessees to advance their respective shares of Unit Expense by submitting to Lessees, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within thirty (30) days thereafter, each Lessee shall pay to Unit Operator its share of such estimate. Adjustment between estimates and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of the Lessees shall be adjusted accordingly.

17.4 Commingling of Funds. No funds received by Unit Operator under this Plan of Unitization need be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

17.5 Unpaid Unit Expense. If any Lessee fails or is unable to meet promptly its financial obligations in connection with the Unit, the unpaid balance of its share of Unit Expense shall be carried and paid by all non-defaulting

Lessees who are signatory to this Plan of Unitization in the proportion that the Unit Participation of each bears to the total Unit Participation of all such Lessees. Such amount shall bear interest at the rate of eight percent (8%) per annum. Lessees so paying the same shall be reimbursed therefor, together with interest thereon, when the amount so carried and the interest thereon are collected from the Lessees primarily chargeable therewith. The amount carried shall be due and payable out of the proceeds from the defaulting Lessee's share of Unitized Substances, including overriding royalty interests, oil and gas payments, or other interests in excess of a 1/8 royalty interest to which such Lessee's interest is subject. During the time that any Lessee fails to pay its share of the Unit Expense, the Unit Operator shall be entitled to collect and receive from the purchaser the proceeds from such Lessee's share of the Unitized Substances. All credits to any such defaulting Lessee on account of the sale or other disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Expense charged against such Lessee.

17.6 Lien. The Unit shall have a first and prior lien upon the leasehold interest and other Oil and Gas Rights (exclusive of a 1/8 royalty interest) in and to each Tract, the interest of the owners thereof in and to the Unitized Substances and all Unit Equipment in possession of the Unit, to secure payment of all Unit Expense properly charged to and against such Tract; provided that such lien may be enforced against overriding royalty interests, or other interests which are otherwise not chargeable with such costs and expenses, only in the event the owner of the interest or interests primarily responsible fails to pay such Unit Expense when due, and the Unitized Substances to the credit thereof are insufficient for that purpose. In the event the owner of any royalty interest, overriding royalty, oil and gas payment or other interest which under this Plan of Unitization is not primarily responsible therefor pays any part of such Unit Expense for the purpose of protecting such interest, or the amount of such Unit Expense in whole or in part is deducted from the Unitized Substances credited to such interest, the owner shall, to the extent of such payment or deduction, be subrogated to all of the rights of the Unit and of the Unit Operator with respect to the interest primarily chargeable with such Unit Expense. A one-eighth (1/8) part of the Unitized Substances allocated to each Tract shall in all events be regarded as royalty to be distributed to, and the proceeds thereof paid to, the basic royalty owners free and clear of all Unit Expense and free of any lien. The lien herein provided shall be for the use, benefit, and protection of the Unit Operator or other Lessees or Persons entitled to receive or share in the monies, the payment of which is secured thereby and in the event of a failure of the Unit to enforce such lien, the Unit Operator or other person entitled to the benefit thereof shall be subrogated to the lien rights of the Unit, including the right of foreclosure. The lien may be foreclosed at any time in the manner provided by law.

ARTICLE 18

PRODUCTION AS OF THE EFFECTIVE DATE

18.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks above the pipeline connections, as of 7:00 a.m. on the Effective Date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the Persons entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the Persons entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after Effective Date hereof.

18.2 Overproduction. If, as of the Effective Date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and 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 hereof and shall be charged to such Tract as having been delivered to the Persons entitled to Unitized Substances allocated to such Tract.

ARTICLE 19

NON-UNITIZED FORMATIONS

19.1 Right to Operate. Any Lessee that now has, or hereafter acquires, the right to drill for and produce oil, gas, or other minerals other than from the Unitized Formation shall have the right to do so notwithstanding this Plan of Unitization. In exercising the right, however, the Lessee shall exercise reasonable precaution to prevent unreasonable interference with Unit Operations. No Lessee shall produce Unitized Substances through any well drilled or operated by it. If any Lessee drills any wells into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to the Operating Committee so that the production of Unitized Substances will not adversely be affected.

19.2 Multiple Completions. A Lessee who contributes a well completed in a non-unitized formation shall be obligated to segregate such formation prior to the well's being taken over by the Unit in a manner satisfactory to the Operating Committee, the cost of such work to be borne by the Lessee contributing such a well. While each Lessee shall deliver possession of all wells completed in the Unitized Formation as provided in Article 16 hereof,

there is expressly reserved unto such Lessee the right to use such well for the purpose of exploring, developing, and operating, by means of multiple completion, such other sources of supply that may overlie or underlie the Unitized Formation; provided that such Lessee shall, at his sole cost, risk, and expense, explore, develop, and operate such other common source of supply and furnish and install equipment necessary to segregate the production from such other common source of supply from the Unitized Formation production, both in the well and on the surface, in a manner prescribed by the Unit Operating Committee. In the event it becomes necessary to work over, recondition, or redrill a well by reason of operations for production from such other common source of supply, or the abandonment thereof, said workover, reconditioning, or redrilling shall be done by and at the sole cost, risk, and expense of such Lessee and under the supervision of the Unit Operating Committee. In the event it becomes necessary to workover, recondition, or redrill a well by reason of the development, operations, or abandonment of the Unitized Formation in a multiply completed well, said workover, reconditioning, or redrilling shall be done by Unit Operator under the supervision of the Unit Operating Committee, and any extra expense incurred in such workover, reconditioning, or redrilling resulting from or occasioned by said well's being a multiply completed well shall be borne by the Lessee operating such other common source of supply in said well. The term "extra expense" as used above shall mean the difference between the normal charges incurred in working over, reconditioning, or redrilling such multiply completed well and the normal charges for doing the same work on a well which is not multiply completed. The Unit Operator shall furnish the Lessee with an estimate of such charges prior to the commencement of such work. Before any Lessee shall commence the working over, reconditioning, or redrilling of any well included in the Unit, the permission of the Unit Operating Committee must be secured. In the event of an emergency or the failure of the Lessee to comply with the requirements of the Unit Operating Committee, the Unit Operating Committee shall have the authority to perform all such work necessary to protect the Unitized Formation. In the event there is a conflict of interest between the Unit and any such Lessee covering a multiply completed well or the operation thereof, the interest of the Unit shall prevail. Except for bad faith or gross negligence, neither the Unit nor the Unit Operator shall be liable or responsible for any damage to or loss of production from any other common sources of supply, nor for damage to the property, equipment, or facilities of such Lessee used in development and operations of such multiply completed well.

ARTICLE 20

ABANDONMENT OF WELLS

20.1 Rights of Former Owners. If the Operating Committee decides to abandon permanently any Unit well prior to termination of the Unit, Unit Operator shall give written notice thereof to the Lessees of the Tract on which

the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Lessees of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount estimated by the Operating Committee to be the net salvage value of the casing and equipment in and on the well. The Lessees of the Tract, by taking over the well, agree to promptly and effectively seal off and protect the Unitized Formation in a manner satisfactory to the Operating Committee, and upon abandonment to plug the well in compliance with applicable laws and regulations.

20.2 Plugging. If the Lessees of a Tract do not elect to take over a well located thereon which is proposed for abandonment, Unit Operator shall plug and abandon the well in accordance with applicable laws and regulations.

ARTICLE 21

CLAIMS AND SUITS

21.1 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations but not involving an expenditure in excess of Two Thousand Dollars (\$2,000.00), provided the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, the Operating Committee shall assume and take over the further handling of the claim or suit unless such authority is expressly delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Lessee or if a Lessee is sued on account of any matter arising from Unit Operations and over which such Lessee individually has no control because of the rights given the Unit and Unit Operator by this Plan of Unitization, the Lessee shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

21.2 Notices of Damages, Claims and Suits by Unit Operator to Lessees. Unit Operator shall report to Lessees as soon as practicable after each occurrence, damages or losses to Unit Equipment, and accidents, occurrences, claims, or suits involving third party bodily injury or property damage which are not covered by insurance carried for benefit of Lessees.

ARTICLE 22

FORCE MAJEURE

22.1 Force Majeure. Any obligation imposed by this Plan of Unitization on each Person, except for the payment of money, shall be suspended while compliance therewith is prevented, in whole or in part, by a strike, fire, war,

civil disturbance, act of God; by Federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause beyond the reasonable control of such Person. No Person shall be required against its will to adjust or settle any labor dispute. Neither this Plan of Unitization nor any lease or other instrument subject hereto shall be terminated by reason of the suspension of Unit Operations due to any of the causes set forth in this Article.

ARTICLE 23

INTERNAL REVENUE PROVISION

23.1 Internal Revenue Provision. Each Lessee hereby elects that it and the operations covered by this Plan of Unitization be excluded from the application of Subchapter K of Chapter I of Subtitle A of the Internal Revenue Code of 1954, or such portion thereof as the Secretary of the Treasury of the United States or his delegate shall permit by election to be excluded therefrom. Unit Operator is hereby authorized and directed to execute on behalf of each Lessee such additional or further evidence of the election as may be required by regulations issued under the Internal Revenue Code of 1954, or should the regulations require each Person to execute such further evidence, each Lessee shall execute or join in the execution thereof.

ARTICLE 24

NOTICES

24.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Lessee on the Operating Committee as furnished in accordance with Article 11.

24.2 Notice of Transfer of Title. No change of title shall be binding on the Unit or Unit Operator until the first day of the calendar month next succeeding the date of receipt by Unit Operator of evidence, satisfactory to it, of such change of ownership. Each such transfer, assignment or conveyance, whether so stating or not, shall operate to impose upon the Person or Persons acquiring such interest the obligation of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant to the Person or Persons acquiring such interest all benefit attributable hereunder to such interest.

ARTICLE 25

ORGANIZATION AND EFFECTIVE DATE

25.1 Organizational Meeting. Subject to call by the Lessee of record designated herein as the Unit Operator, the representatives designated by the

Lessees shall meet to perfect the organization of the Operating Committee. Such meeting may be held at any time after twenty (20) days from the entry of the order of the Commission approving the Unit. Notice of time and place of said meeting shall be mailed at least ten (10) days prior thereto to all Lessees within the Unit Area whose names and addresses are known to the Unit Operator, as well as those Lessees who shall have, within ten (10) days from the date of said order, notified the Secretary of the Commission in writing of their desire to be so notified of the meeting.

25.2 Effective Date. The Operating Committee shall determine, and give Lessees reasonable notice of, the time when the Unit will take over and commence Unit Operations. The time so fixed shall not be less than twenty (20) days after the entry of the order of the Commission approving the Unit nor more than six (6) months after the time when the order approving the Unit shall become final.

25.3 Orders Approving Unit - When Final. The order of the Commission approving the Unit means the order or orders approving this Plan of Unitization and finding that it has been signed, ratified, or approved by Lessees and Royalty Owners owning the percentage interest in the Unit Area required to make it effective. If the approval of this Plan of Unitization and the finding of Lessee and Royalty Owner approval are by separate orders, the date of the later of the two orders shall be regarded as the date of entry of the order approving the Unit. The order approving the Unit will be regarded as having become final when the time for appeal from the action of the Commission in regard thereto has expired, if no appeal is taken; or if an appeal or appeals are taken, then upon the final determination thereof.

25.4 Nonapproval of Plan of Unitization by Commission. If an order of the Commission approving the Unit has not been entered prior to January 1, 1970, then this Plan of Unitization shall terminate on that date, hereinafter called termination date, and thereafter be of no further effect, unless prior thereto this Plan of Unitization has been signed, ratified or approved by Lessees owning a combined Unit Participation of at least sixty-five percent (65%), and Lessees owning a combined Unit Participation of at least sixty-five percent (65%) elect to extend said termination date for a period not to exceed six (6) months. If the termination date is so extended and an order of the Commission approving the Unit is not entered on or before the extended termination date, this Plan of Unitization shall terminate on the extended termination date and thereafter be of no further force and effect.

25.5 Failure to Take Over Operations. If the Unit fails to take over and commence Unit Operations on or before six (6) months after the time when the order of the Commission approving the Unit shall have become final, the Unit shall be dissolved and all rights and obligations under this Plan of Unitization shall be at an end, except that any and all cost and expense incurred incident to its organization, or preparatory to the commencement of

Unit Operations, shall be borne and paid for by the Lessees, whose representatives authorized the incurring of such expenses, in proportion that the Unit Participation of each such Lessee bears to the total Unit Participation of all such Lessees.

25.6 Certificate of Effectiveness. The Unit Operator within thirty (30) days after the Effective Date hereof shall submit to the County Clerk of Stephens County, Oklahoma and the Secretary of the Commission, for filing, a certificate of effectiveness signed by the Chairman of the Operating Committee, setting forth,

a. the hour, day, and year on which the Unit took over and commenced Unit Operations;

b. a description or plat of the lands included within the Unit Area; and

c. the cause, number, and date of the Commission order approving this Plan of Unitization.

ARTICLE 26

TERM AND ABANDONMENT OF OPERATIONS

26.1 Term. The Unit and this Plan of Unitization shall continue in effect until such time as the Operating Committee by vote of at least seventy-five percent (75%) of the voting interest determines that Unitized Substances can no longer be produced in paying quantities or that Unit Operations are no longer feasible.

26.2 Abandonment of Operations. Upon abandonment of operations;

26.2.1 Oil and Gas Rights. Oil and Gas Rights in and to each of the several Tracts shall no longer be affected by this Plan of Unitization and thereafter the owners thereof shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

26.2.2 Right to Operate. Lessees of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value of the casing and equipment in and on the wells taken over, as estimated by the Operating Committee and by agreeing upon abandonment to plug such wells in compliance with applicable laws and regulations.

26.2.3 Salvaging Wells and Unit Equipment. Unit Operator shall salvage the Unit Equipment and as much of the casing and equipment in or on wells not taken over by Lessees of the separate Tracts as can economically and reasonably be salvaged and shall properly plug and abandon such wells in accordance with applicable laws and regulations. Unit Operator shall have six (6) months after cessation of production of Unitized Substances within which to conduct such salvaging and plugging operations.

26.2.4. Cost of Salvage - Distribution of Assets. Lessees shall share in the cost of salvaging Unit Equipment and in the liquidation and distribution of the Unit Equipment, assets, and properties used in Unit Operations in proportion to their respective Phase II Unit Participations.

26.3 Certificate of Termination. When Unit Operations are abandoned and the affairs of the Unit terminated, Unit Operator shall submit to the County Clerk of Stephens County, Oklahoma and the Secretary of the Commission, for filing, a certificate of termination signed by the Chairman of the Operating Committee setting forth the fact and time of termination of the Unit.

26.4 Obligations Payable After Termination. If any liability or obligation incurred prior to termination of the Unit shall accrue and become payable thereafter, the amount shall be borne and paid as Unit Expense in the same manner as if it had accrued prior to termination of the Unit.

ARTICLE 27

AMENDMENT TO PLAN OF UNITIZATION AND ENLARGEMENT OF UNIT

27.1 Amendment and Enlargement. Any amendment of this Plan of Unitization or any enlargement of the Unit Area shall be in accordance with the provisions of Section 287.10, Title 52, Oklahoma Statutes 1961, or any amendment thereto.

ARTICLE 28

RESTRICTED INDIAN LANDS

28.1 Special Provisions. In the event and to the extent restricted Indian lands are included in the Unit Area, the following additional provisions shall be applicable with respect to such Indian lands:

28.1.1 Definition of Supervisor. Supervisor means the Oil and Gas Supervisor of the United States Geological Survey having supervision of such Indian lands.

28.1.2 Copies of Notices, etc. Copies of all notices, certificates, declarations or reports, which are required by the Plan of Unitization to be filed with the Commission, County Clerk, or other governmental authority shall at the same time be mailed to the Supervisor.

28.1.3 Information Regarding Unit Operations. The Unit Operator, shall, at the request of the Supervisor, furnish the Supervisor a monthly report of operations, a statement of unit oil and gas production and disposition thereof together with such reports as are deemed necessary to compute the monthly royalties on unit production allocated to the restricted Indian lands.

28.1.4 Access to Unit Area. The Supervisor shall have access to the Unit Area at all reasonable times to observe any and all Unit Operations or facilities.

28.1.5 Title Disputes. Royalty on Unitized Substances allocated to restricted Indian lands, the title to which is in dispute, instead of being impounded by the Unit Operator, shall, if requested by the Supervisor, be paid to the appropriate governmental agency or depository designated by the Supervisor to be impounded by such agency or depository pending the determination of the title dispute.

28.1.6 Amendment of Plan of Unitization. Any amendment of the Plan of Unitization affecting the right and interests of restricted Indians shall be subject to the approval of the Supervisor.

28.1.7 Use of Water. Fresh water from restricted Indian land shall not be used without consent of the Supervisor.

28.1.8 Allocation of Unit Production. Royalty payable on Unit production apportioned and allocated to the restricted Indian leasehold interests in such tracts, and the rentals provided for in the restricted Indian leases involved shall be determined and paid on the basis prescribed in such individual restricted Indian leases and when such royalty on oil is paid in kind, such royalty oil shall be delivered as provided in the leases.

28.1.9 Right of Supervision. Nothing herein shall be construed as limiting the extent or right of supervision by the Supervisor as to the restricted Indian leases included in this Plan of Unitization.

ARTICLE 29

SIGNING, RATIFICATION, OR APPROVAL

29.1 Original, Counterparts, or Ratifications. This Plan of Unitization may be signed, ratified, or approved by signing the original of this instrument,

a counterpart, or other instrument adopting the provisions hereof, all with the same effect as if all Persons had signed the same instrument. Persons signing, ratifying, or otherwise approving this Plan of Unitization, thereby agree to all of the provisions hereof.

29.2 Joinder in Dual Capacity. The signing, ratification, or approval of this Plan of Unitization as herein provided by any Person as either a Lessee or as a Royalty Owner shall commit all interests that may be owned or controlled by such Person.

29.3 Heirs, Successors, and Assigns. The signing, ratification, or approval of this Plan of Unitization shall be binding upon the heirs, personal representatives, successors, and assigns of the Persons so signing, ratifying, or approving the same.

Signed by the undersigned upon the dates shown opposite their respective signatures.

Date _____

MOBIL OIL CORPORATION

By _____
Attorney-in-Fact

Date _____

MINERAL MINING COMPANY

By _____

Date _____

AMERADA PETROLEUM CORPORATION

By _____

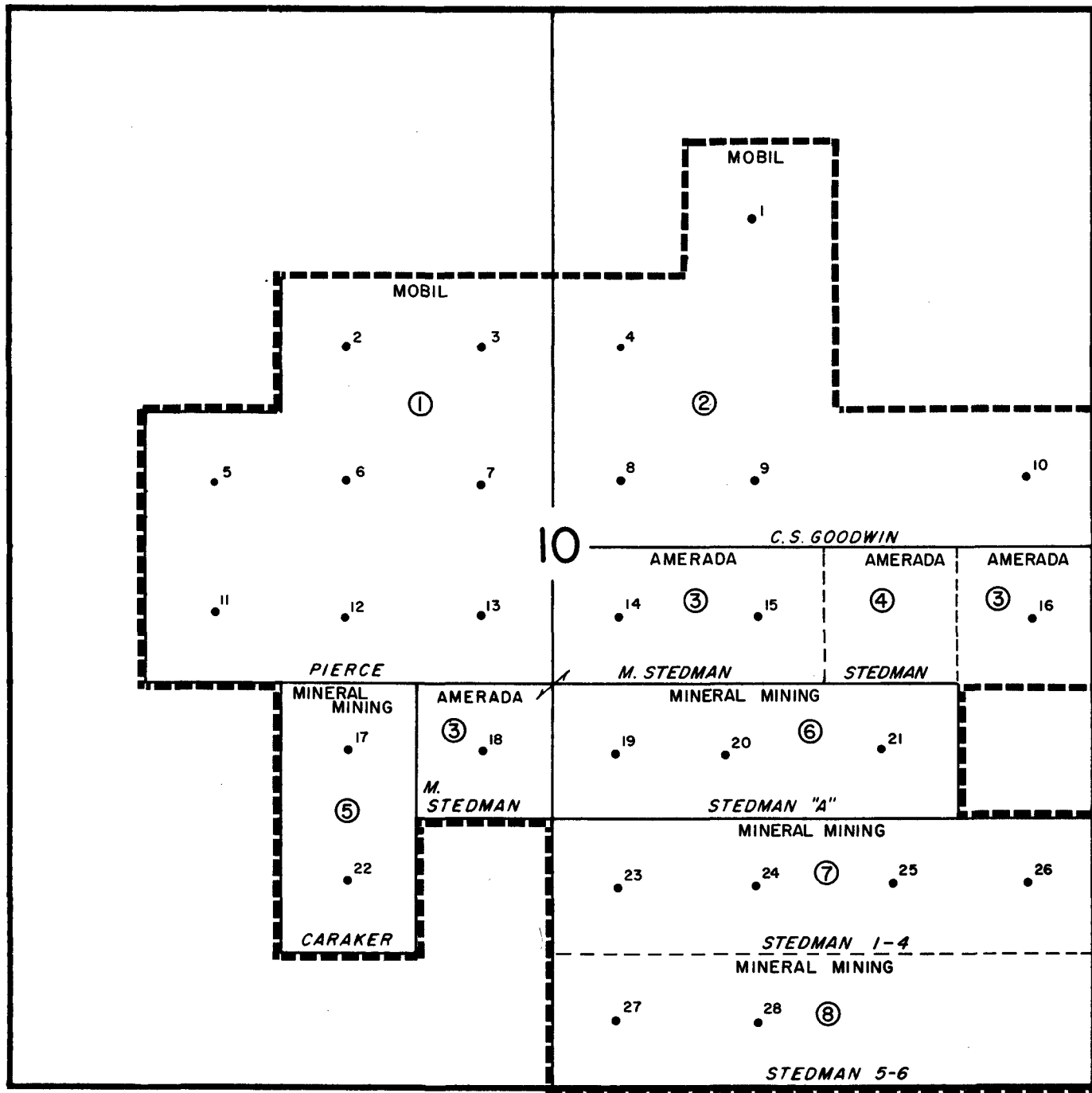
EXHIBIT "A"

ALMA PICKENS UNIT
STEPHENS COUNTY, OKLAHOMA

Number	Name	Tract Description	Tract	
			Participation Phase I	Percentage Phase II
1	Mobil-Pierce	SE/4 NW/4, SE/4 SW/4 NW/4, N/2 NE/4 SW/4 & NE/4 NW/4 SW/4 Sec. 10-T1S-R4W	24.939	26.397
2	Mobil-C. S. Goodwin	SW/4 NE/4, S/2 SE/4 NE/4 & SE/4 NW/4 NE/4 Sec. 10-T1S-R4W	33.915	17.828
3	Amerada-M. Stedman	N/2 NW/4 SE/4, NE/4 NE/4 SE/4 & SE/4 NE/4 SW/4 Sec. 10-T1S-R4W	11.159	13.360
4	Amerada-Stedman	NW/4 NE/4 SE/4 Sec. 10-T1S-R4W	0.000	1.813
5	Mineral Mining-Caraker	SW/4 NE/4 SW/4 & NW/4 SE/4 SW/4 Sec. 10-T1S-R4W	0.930	6.518
6	Mineral Mining-Stedman "A"	S/2 NW/4 SE/4 & SW/4 NE/4 SE/4 Sec. 10-T1S-R4W	8.388	9.996
7	Mineral Mining-Stedman 1-4	N/2 S/2 SE/4 Sec. 10-T1S-R4W	11.302	12.180
8	Mineral Mining-Stedman 5-6	S/2 S/2 SE/4 Sec. 10-T1S-R4W	<u>9.367</u>	<u>11.908</u>
			100.000	100.000

- (1) Phase I Tract Participation Percentages represent the sum of seventy-five percent (75%) of the ratio which the current production of Unitized Substances attributed to each Tract bears to the current production of Unitized Substances attributed to all Tracts plus twenty-five percent (25%) of the ratio which the remaining primary reserves of Unitized Substances attributed to each Tract bears to the remaining primary reserves of Unitized Substances attributed to all Tracts. Phase I Tract Participation Percentages shall be in effect from Effective Date until the first of the month following the date when 158,400 barrels of oil have been produced from the Unitized Formation after July 1, 1968.
- (2) Phase II Tract Participation Percentages represent the sum of seventy-five percent (75%) of the ratio which the acre feet attributed to each Tract bears to the acre feet attributed to all Tracts plus twenty-five percent (25%) of the ratio which cumulative production attributed to each Tract bears to the cumulative production attributed to all Tracts. Phase II Tract Participation Percentages shall be in effect from the date Phase I Tract Participation Percentages cease to be in effect until termination of the Unit.

R 4 W



T 1 S

10

C. S. GOODWIN

AMERADA

AMERADA

AMERADA

PIERCE

M. STEDMAN

STEDMAN

MINERAL MINING

AMERADA

MINERAL MINING

M. STEDMAN

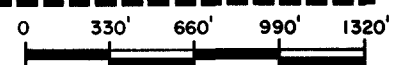
STEDMAN "A"

MINERAL MINING

CARAKER

STEDMAN 1-4
MINERAL MINING

STEDMAN 5-6



- UNIT OUTLINE
- ⑤ TRACT NUMBER
- OIL WELL

EXHIBIT "B"

ALMA PICKENS UNIT

STEPHENS COUNTY, OKLAHOMA

EXHIBIT " C "

Attached to and made a part of Plan of Unitization of
Alma Pickens Unit, Stephens County, Oklahoma

**Form Revised
in IV-2-A-1**

ACCOUNTING PROCEDURE (JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. Collective Action by Non-Operators

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of ~~six~~ per cent (6%) per annum until paid. eight (8%)

6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

7. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. Material

Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.

C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

6. Services

A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.

B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. Legal Expense

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

- 9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.
- 10. **Insurance Premiums**
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.
- 11. **Other Expenditures**
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- Paragraph 4. (Combined fixed rate)

1. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's
 office located at or near (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth)		
		First Five	Next Five	All Wells Over Ten
.....
.....
.....

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. Operator's Fully Owned Warehouse Operating and Maintenance Expense
(Describe fully the agreed procedure to be followed by the Operator.)

4. Combined Fixed Rates

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Plug	All Unit Wells Bank Rate	All Wells Gross Rate
Unitized Formation	\$700.00	\$65.00		

Said fixed rate (~~shall~~) (shall not) include salaries and expenses of production foremen.

5. Application of Administrative Overhead or Combined Fixed Rates

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

B. The status of wells shall be as follows:

- (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
- (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
- (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
- (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
- (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
- (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.

C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.

D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:

A. Total cost less than \$25,000, no charge.

B. Total cost more than \$25,000 but less than \$100,000, 3 % of total cost.

C. Total cost of \$100,000 or more, 3 % of the first \$100,000 plus 3 % of all over \$100,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties at minimum freight rates

A. New Material (Condition "A")

- (1) Tubular goods, two inch (2") and over, shall be priced on Eastern/Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) ~~on a minimum-carload-basis~~ effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
- (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. Material Purchased by the Operator or Non-Operators

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
- B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

- A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
- B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

EXHIBIT "D"

ALMA PICKENS UNIT
STEPHENS COUNTY, OKLAHOMA

INSURANCE PROVISIONS

1. Unit Operator shall comply with the laws of the State of Oklahoma as to Workmen's Compensation and Employer's Liability. In the event Unit Operator qualifies as a self-insurer in accordance with said laws, no insurance covering such risks shall be carried as Unit Expense.
2. Comprehensive General Public Liability Insurance with limits, (1) as to Bodily Injury of not less than One Hundred Thousand Dollars (\$100,000.00) for each person and not less than Three Hundred Thousand Dollars (\$300,000.00) for each accident, and (2) as to Property Damage of not less than One Hundred Thousand Dollars (\$100,000.00) for each accident.
3. Unit Operator shall carry or provide Automobile Public Liability Insurance with limits of \$100,000 for injuries to one person, \$300,000 for injuries to more than one person in any one accident, and \$25,000 for property damage. Charges for Automobile Public Liability Insurance on Unit Operator's fully owned equipment shall not be charged directly as Unit Expense but shall be included in the rates charged for the use of such equipment.
4. Unit Operator shall require each contractor and subcontractor engaged in Unit Operations, in addition to complying with the Workmen's Compensation Law of the State of Oklahoma to carry such other insurance and in such amounts as Unit Operator shall deem necessary.
5. No other insurance shall be carried or provided as Unit Expense hereunder.