

PLAN OF UNITIZATION  
NORTH ALMA PENN UNIT  
STEPHENS COUNTY, OKLAHOMA

Final Draft  
May 30, 1969

## PLAN OF UNITIZATION

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Accounting Procedure  
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Exhibit "A"  
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Exhibit "C"  
Exhibit "D"

## PLAN OF UNITIZATION

For

North Alma Penn Unit  
Stephens County, Oklahoma

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WITNESSETH

The following shall constitute the Plan of Unitization applicable to the North Alma Penn Unit, Stephens County, Oklahoma created pursuant to authority of Section 287.1 - 287.15 inclusive, Title 52, Oklahoma Statutes, 1961 and having for its purpose the unitized management, operation and further development of the Pennsylvania Sands, a common source of supply of oil and gas underlying the Unit Area herein defined, all to the end that a greater ultimate recovery of oil and gas and associated minerals 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 hereinafter set out shall have the following meaning:

1.1 Unit shall mean the North Alma Penn Unit.

1.2 Unit Area shall mean the lands described by Tracts in Exhibit "A" and shown on Exhibit "B" as to which this agreement becomes effective or to which it may be extended as herein provided.

1.3 Unitized Formation shall mean that subsurface portion of the Unit Area commonly known as the Pennsylvania Sands and which are the same formations encountered between the depths of 3,050 feet and 5,370 feet as indicated on the electric log in the Samedan Oil Corporation Thornton No. 2 Well located in the SE $\frac{1}{4}$  NW $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 9, Township 1 South, Range 4 West, Stephens County, Oklahoma, and will apply to the area described as the S $\frac{1}{2}$  SW $\frac{1}{4}$  SW $\frac{1}{4}$  of Section 4, to all of Section 9 except the E $\frac{1}{2}$  NE $\frac{1}{4}$  NW $\frac{1}{4}$  and the NW $\frac{1}{4}$  NE $\frac{1}{4}$ , and to all of Sections 10, 15, 16, 21 and 22, all of said lands being in Township 1 South, Range 4 West; and which are the same formations encountered between the depths of 5,000 feet and 5,540 feet in the Cox-Hamon Oil Corporation Pickens No. 3 Well located in the SE $\frac{1}{4}$  NE $\frac{1}{4}$  NW $\frac{1}{4}$  of Section 9, Township 1 South, Range 4 West, and will apply to the area described as the NE $\frac{1}{4}$  SW $\frac{1}{4}$  SW $\frac{1}{4}$ , the SE $\frac{1}{4}$  SW $\frac{1}{4}$ , the NW $\frac{1}{4}$  SW $\frac{1}{4}$  SE $\frac{1}{4}$ , and the S $\frac{1}{2}$  SW $\frac{1}{4}$  SE $\frac{1}{4}$  of Section 4, and to the E $\frac{1}{2}$  NE $\frac{1}{4}$  NW $\frac{1}{4}$  and the NW $\frac{1}{4}$  NE $\frac{1}{4}$  of Section 9, all of said lands being in Township 1 South, Range 4 West.

1.4 Unitized Substances (Unit Production) shall mean and include all Oil and Gas within or produced from the Unitized Formation from and after the Effective Date of the Plan of Unitization.

1.5 Oil and Gas shall not only refer to oil and gas as such in combination one with the other, but shall have reference to oil, gas, casinghead gas, casinghead gasoline, condensate, or other hydrocarbons, or any combination or combinations thereof, which may be found in or produced from the Unitized Formation.

1.6 Lessee shall mean any owner of an interest in Unit Production 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 an unleased interest in Unit Production shall be considered as a Lessee with respect to 7/8 of such interest and as a Royalty Owner with respect to 1/8 of such interest.

1.7 Royalty Interest shall mean a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Lessee.

1.8 Royalty Owner shall mean a party hereto who owns a Royalty Interest.

1.9 Tract shall mean each parcel of land described as such and given a Tract number in Exhibit "A".

1.10 Unit Operator shall mean the Lessee designated by Lessees as provided in Article 13 to develop and operate the Unitized Formation, acting as Operator and not as Lessee.

1.11 Tract Participation shall mean the percentage shown on Exhibit "A" for allocating Unitized Substances to a Tract under this agreement.

1.12 Unit Participation of each Lessee shall mean the sum of the percentages obtained by multiplying such Lessee's fractional working interest in each Tract by the appropriate Phase Tract Participation of such Tract.

1.13 Outside Substances shall mean 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 shall mean 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 shall mean all operations conducted by the Unit or Unit Operator pursuant to this agreement for or on account of the development and operation of the Unitized Formation for Unit Production.

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 mean 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 include the plural, the plural includes 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" is a schedule that describes each Tract in the Unit Area and shows its Phase I and Phase II Participation.

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

2.1.3 Exhibit "C" is the Accounting Procedure applicable to development and operation of the Unit Area. In the event of conflict between this Plan of Unitization and Exhibit "C", this Plan of Unitization shall prevail.

2.1.4 Exhibit "D" contains insurance provisions applicable to the development and operation of the Unit Area.

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 scrivener's 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 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 Pooling of Leases. The adoption of this Plan of Unitization and the creation of the Unit as herein provided shall have the effect from and after the effective date hereof of unitizing all further development and operations for the production of Oil and Gas from the Unitized Formation and of Pooling and Unitizing the production so obtained, all to the same extent as if the Unitized Formation had been included in a single lease and all rights thereunder owned by the owners of Oil and Gas Rights in undivided interests.

3.2 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.

The division orders shall cover and apply to that fraction of the Unitized Substances as is allocated to the respective tracts in Exhibit "A" (effective as of the Effective Date of the Unit) and purchasers of Unitized Substances are authorized to pay therefor in accordance with percentages set forth in Exhibit "A" without procuring new division orders.

3.3 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, except for the purpose of determining payments to Royalty Owners, be considered as operations upon or production from each Tract and such operations or production shall continue in force and effect each lease or term royalty interest just as if

such operations had been conducted and a well had been drilled on and was producing from each Tract. Each such lease and term royalty interest shall remain in force and effect so long as this Plan of Unitization remains in force and effect.

3.4 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas rights covered hereby between the parties hereto or to Unit Operator, other than the right to exercise such Oil and Gas Rights and to share in Unit Production or in the proceeds therefrom to the extent and manner herein provided.

3.5 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 wells completed in the Unitized Formation or abandoned Oil and Gas wells for such purposes.

3.6 Cooperative Agreements. The Operating Committee 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 provisions 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.

3.7 Development Obligation. Nothing herein shall relieve the Unit from the obligation to develop reasonably as a whole the lands and leases subject hereto.

3.8 Personal Property Excepted. Subject to provisions of Article 17, all lease and well equipment, materials, and other facilities hereto for and hereafter placed by any Lessees on the lands covered hereby should be deemed to be and remain personal property belonging to and may be removed by the Lessees.

#### ARTICLE 4

##### PLAN OF OPERATION

4.1 Operating Methods. To the end that the quantity of Unit Production 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, conduct a secondary recovery operation by means of injecting gas, water, or other substances, or combinations thereof into the Unitized Formation.

4.2 Change of Operating Methods. Such other methods of operations as may from time to time be determined by the Operating Committee to be feasible, necessary or desirable to efficiently increase the ultimate recovery of Unit Production, may be conducted by the Unit Operator under direction of the Operating Committee. Nothing herein shall prevent the Operating Committee from discontinuing or changing in whole or in part any particular method of operation if, in its opinion, such method of operation is no longer in accordance with good engineering or production practices.

#### ARTICLE 5

##### ALLOCATION OF UNIT PRODUCTION

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

5.2 Allocation to Tracts. All Unit Production, except that production used in development and operation of the Unit Area or unavoidably lost, shall be apportioned among and allocated to the several Tracts in accordance with the respective Tract Participations in effect at the time of such production. The amount of Unit Production so allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of the actual production from the well or wells, if any, on such Tract shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

5.3 Distribution Within Tracts. The Unit Production allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Plan of Unitization not been entered into, and with the same legal force and effect.

5.4 Taking Unit Production in Kind. The Unit Production allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein. Such parties 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 Unit Production shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unit Production and fails to do so the Lessee of such Royalty Owner shall be entitled to take in kind such share of the Unit Production.

5.5 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unit Production, Unit Operator shall have the right, but not the duty, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share at a price not less than the current market price prevailing in the field at the time of such purchase or sale, provided that all contracts of sale by Unit Operator of any other party's share of Unit Production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of One (1) year. The proceeds of the Unit Production so disposed of by Unit Operator shall be paid to the party entitled thereto, provided, Unit Operator shall not make a sale into Interstate Commerce of any other person's share of gas production without first placing notice to such other person in the mail to such other person's last known address at least Sixty (60) days prior to date of sale.

5.6 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unit Production allocated to a Tract is in dispute, Unit Operator, at the direction of the Operating Committee, shall either:

5.6.1 Require that the party or parties to whom such Unit Production is delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner or owners in the event the title or right of such person or persons shall fail in whole or in part, or,

5.6.2 Withhold and market the portion of Unit Production with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right there-to is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of the Unit Operator whereupon the proceeds so impounded shall be paid to the party or parties rightfully entitled thereto.

5.7 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unit Production allocated to any Tract, or receiving proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of, and shall indemnify all other parties, including Unit Operator, against any liability for any and all royalties, overriding royalties, production payments, and any and all other payments chargeable against or payable out of such Unit Production or the proceeds therefrom. Provided, however, and not withstanding anything contained to the contrary in the provisions of Article 5.5 hereof, if purchaser of any oil, gas, or other hydrocarbons produced from the Unit Area declines to make disbursements of royalties, overriding royalties, or other payments out of or with respect to production which are payable on the Unitized Substances, Unit Operator will if any Lessee so desires, make such disbursement on behalf of said Lessee, at his direction. In that event, Unit Operator will use his best efforts to made disbursements correctly but will be liable for incorrect disbursements only in the event of gross negligence. In the event that Unit Operator is required by a Lessee to disburse such payments on Lessee's behalf, the Unit Operator shall be entitled to receive compensation from such Lessee for these services limited to its actual cost of performing such services.

5.8 Sliding Scale Royalty. Any royalty or other payment which varies, under the terms of the instrument creating it, according to actual production from a Tract or according to the capability of wells located thereon to produce, shall on and after the Effective Date hereof, be computed upon that portion of the Unitized Substances allocated to the particular Tract and not upon the actual production of Oil and Gas from the Tract or the capability of the wells thereon to produce. If any such royalty or other payment depends on the production or pipe line runs from a well, such production or pipe line runs shall be determined by dividing the Unitized Substances allocated to the Tract by the number of wells located thereon that were capable of producing as of the Effective Date hereof; provided that if there are no wells on the Tract that were capable of producing as of the Effective Date hereof, then such Tract shall be treated as having One (1) well.

5.9 Royalty on Outside Substances. If any Outside Substances comprised of hydrocarbons in a gaseous state are injected into the Unitized Formation, Fifty percent (50%) of any like substance contained in Unit Production subsequently produced and sold, or used for other than operations hereunder, shall be deemed to be Outside Substances until the aggregate of said Fifty percent (50%) equals the accumulated volume of the Outside Substances injected into the Unitized Formation, and no payments shall be due or payable to Royalty Owners on said Fifty percent (50%). If the Outside Substances injected be liquefied petroleum gases, or other liquid hydrocarbons, as distinguished from natural gases prior to injection, the Working Interest Owners shall have the right, beginning One (1) year after injection of such liquefied petroleum gases is commenced to recover all such injected hydrocarbons without payment of royalty; and to provide a reasonable and practical basis of accounting for the same, it is agreed that Ten percent (10%) of the Unitized Substances produced and sold from the Unitized Formation shall be deemed to be Outside Substances until the aggregated value of said Ten percent (10%) of said Unitized Substances equals the entire accumulated cost to the Working Interest Owners of such Outside Substances, such Ten percent (10%) will be in addition to that which is being recovered for natural gases as hereinabove provided if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected.

## ARTICLE 6

### PRODUCTION AS OF THE EFFECTIVE DATE

6.1 Gauge of Merchantable Oil. 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 connection as of 7:00 a.m. on the Effective Date hereof. All such oil which has been produced legally shall be and remain the property of the Lessees entitled thereto the same as if the Unit had not been formed. Any such Oil not promptly removed shall be sold by the Unit Operator for the account of the parties 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 is produced shall be regarded as Unit Production produced after Effective Date hereof.

## ARTICLE 7

### USE OR LOSS OF UNIT PRODUCTION

7.1 Use of Unit Production. Unit Operator may use as much of the Unit Production as it deems necessary for the operation and development of the Unit Area, including but not limited to the injection thereof into the Unitized Formation.

7.2 Royalty Payments. No royalty, overriding royalty, production or other payments shall be payable upon or with respect to Unit Production used or consumed in the operation or development of the Unit Area or which may be otherwise lost or consumed in the production, handling, treating, transportation or storing of Unit Production.

## ARTICLE 8

### TITLES

8.1 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, as the case may be, an abstract brought to the date of the request, or a satisfactory title opinion, together with such other title information in the possession of such Lessees affecting titles to the Oil and Gas Rights in and to such Tract.

8.2 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.

8.3 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 18.7 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 9

### EASEMENTS OR USE OF SURFACE

9.1 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 may be reasonably necessary for the operation and development of the Unit Area hereunder; provided, that nothing herein shall be construed as leasing or otherwise conveying to the Unit a site for a water, gas injection, processing or other plant, or camp site.

9.2 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. Unit Operator shall not use water from any well, lake, pond, or irrigation ditch of a landowner without consent of the landowner.

9.3 Surface Damages. The Unit 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 10

### RELATIONSHIP OF PARTIES

10.1 No Partnership. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, trust or impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

10.2 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.

10.3 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by his existing agreement with any Lessee with the express stipulation that if, by reason of this Plan of Unitization, such information is not available, the nearest approximation or equivalent of such information shall be made available.

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

10.4.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect the operations hereunder and all wells and records and data pertaining thereto.

10.4.2 Reports by Request. 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 data available to Unit Operator. The cost of gathering and furnishing data not ordinarily furnished by Unit Operator to all Lessees shall be charged solely to Lessees requesting the same.

## ARTICLE 11

### GENERAL POWERS OF UNIT

11.1 General Powers of Unit. The Unit is authorized and empowered on behalf of and for the account of all owners of Oil and Gas Rights within the

Unit Area, without profit to the Unit, to supervise, manage 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 12

### CREATION OF OPERATING COMMITTEE AND SUPERVISION OF UNIT OPERATIONS

12.1 Creation of Operating Committee. An Operating Committee is hereby created to consist of One (1) representative to be designated by each Lessee within the Unit Area, provided that an individual Lessee may himself be a member of the Committee. Each Lessee shall advise Unit Operator in writing the name and address of its representative and alternate representative authorized to represent and bind it in respect to any matter pertaining to the development and operation of the Unit Area. Such representative or alternate may be changed from time to time by written notice to Unit Operator.

12.2 Overall Supervision. The Operating Committee shall exercise overall supervision and control of all matters pertaining to the development and operation of the Unit Area pursuant to this Plan of Unitization.

12.3 Particular Powers and Duties. The matters to be passed upon and decided by the Operating Committee shall include, but not be limited to the following:

12.3.1 Method of Operation. The kind, character and method of operation, including any type of pressure maintenance or secondary recovery program to be employed.

12.3.2 Drilling of Wells. The drilling of any well within the Unit Area either for production of Oil and Gas from the Unitized Formation, for use as an injection well, or for other purposes.

12.3.3 Well Recompletions and Change of Status. The workover, recompletion, abandonment, or change of status of any well in the Unit Area, or use of any such well for injection or other purposes, except for well servicing or stimulation work on the existing completion interval, not exceeding Unit Operator's authority for single expenditures.

12.3.4 Expenditures. Making of any single expenditure, other than expenditures for normal or recurring operating expenses, in excess of Ten Thousand Dollars (\$10,000.00) provided that approval by the Operating Committee of the drilling, recompletion, 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.

12.3.5 Disposition of Surplus Facilities. Selling or otherwise disposing of any major item of surplus material or equipment, the current list price of new equipment similar thereto being Twenty-Five Hundred Dollars (\$2,500.00) or more. The Operating Committee shall establish a procedure for disposition of such surplus material.

12.3.6 Appearance Before a Court or Regulatory Body. Authorization for a representative to appear before any court or regulatory body in matters pertaining to Unit Operations provided, however, that the authorization by the Operating Committee for the designation of any such representative shall not prevent any Lessee from appearing in person or from designating another representative in its own behalf.



12.3.7 Audits. The making of proper audits of the accounts of Unit Operator pertaining to operations hereunder; provided that such audits shall:

- (a) be made upon the affirmative vote of at least Sixty-Five percent (65%) of the voting interest remaining after excluding the voting interest of Unit Operator;
- (b) be conducted not more than once a year or upon the resignation or removal of Unit Operator;
- (c) be made at the expense of all Lessees other than the Lessee designated as Unit Operator; and
- (d) be made upon not less than Thirty (30) days' written notice to Unit Operator.

12.3.8 Inventories. The taking of periodic inventories under the direction of the Operating Committee.

12.3.9 Technical Services. Any direct charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided for by "Exhibit "C".

12.3.10 Assignment to Committees. The appointment or designation of the purposes of committees or subcommittees necessary for the study of any problem in connection with Unit Operations.

12.4 Meetings of Operating Committee. All meetings of the Operating Committee for the purpose of considering and acting upon any matter pertaining to the development and operating of the Unit Area shall be called by Unit Operator upon its own motion or at the request of one or more Lessees having a total Phase II 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 meeting attached. The Operating Committee shall have the right to amend items included on the agenda, deciding on amended items and deciding other items presented at such meeting, provided, however, that the Unit cost of non-agenda items voted on shall not exceed Twenty-Five Thousand Dollars (\$25,000.00). A copy of the minutes of each meeting shall be mailed to each member after the meeting.

12.5 Voting Procedure. The Operating Committee shall act upon and determine all matters coming before it as follows :

12.5.1 Voting Interest. In voting on any matter each Lessee shall have a voting interest equal to its Phase II Unit Participation.

12.5.2 Vote Required - Generally. Unless otherwise specifically provided herein, all matters shall be decided by an affirmative vote of Three (3) 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.

12.5.3 Vote at Operating Committee Meeting by Non-Attending Lessees. Any Lessee not represented at an Operating Committee meeting may vote on any item included in the agenda of the meeting by letter or telegram addressed to the Chairman of the meeting provided such vote is received prior to the submission of such item to vote. Such vote shall not be counted with respect to any item on the agenda which is amended at the meeting.



12.5.4 Poll Votes. Any matter requiring approval of the Operating Committee may be decided by letter or telegram submitted in writing to each member of the Committee, if no meeting on the matter is called as provided in Section 12.4, within Seven (7) days after such proposal is dispatched to the members. Unit Operator will give prompt notice of the results of such voting to all members of the Operating Committee.

#### ARTICLE 13

##### UNIT OPERATOR

13.1 Unit Operator. Samedan Oil Corporation is hereby designated as Unit Operator.

13.2 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 who resigns or is removed shall not be released from its obligations hereunder for a period of Three (3) months after its resignation or discharge unless a successor Unit Operator shall have taken over the operations hereunder prior to the expiration of said period.

13.3 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 Sixty-Five percent (65%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed.

#### ARTICLE 14

##### AUTHORITIES AND DUTIES OF UNIT OPERATOR

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

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

14.3 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 Operator granted hereunder.

14.4 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.

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

14.6 Reports to Lessee. Unit Operator shall furnish to Lessees monthly reports of Unit Operations as prescribed by the Operating Committee.

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

14.8 Engineering and Geological Information. Unit Operator shall furnish to each Lessee, upon written request, any engineering and geological data available to Unit Operator pertaining to Unit Operations.

14.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Ten Thousand Dollars (\$10,000.00) without prior approval of Lessees. Unit Operator shall furnish the Operating Committee a detailed Authority for Expenditure for their approval of any expenditure in excess of Ten Thousand Dollars (\$10,000.00). Information Authorization for Expenditures for all expenditures exceeding Twenty-Five Hundred Dollars (\$2,500.00) will be furnished if requested. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as 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.

14.10 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 under terms and conditions approved by the Operating Committee.

## ARTICLE 15

### TAXES

15.1 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.

15.2 Direct Taxes and Assessments. Each Lessee shall pay or cause to be paid all production, severance, gathering and other direct taxes and assessments imposed upon or on account of the production or handling of its share of Unit Production.

## ARTICLE 16

### INSURANCE

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

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

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

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

16.2 Notices of Damages, Claims, and Suits by Unit Operator to Lessees. The Unit Operator shall report to Lessees as soon as practical after each occurrence, (a) damages or losses to Unit equipment exceeding Twenty-Five Hundred Dollars (\$2,500.00) in value and (b) accidents, occurrences, claims or suits involving third party bodily injury or property damage expected to exceed Twenty-Five Hundred Dollars (\$2,500.00) in amount which are not covered by insurance carried for benefit of Lessees.

## ARTICLE 17

### ADJUSTMENT OF INVESTMENT

17.1 Personal Property Taken Over. Upon the Effective Date hereof, Lessees shall deliver to Unit Operator the following:

17.1.1 Wells and Casing. All wells shown on Exhibit "B" together with the casing therein.

17.1.2 Well and Lease Equipment. The tubing and casing in each well, together with the wellhead connections thereon and all rods, pipe and other lease and operating equipment used in the operation of such wells which the Operating Committee shall, within Nine (9) months after the Effective Date, determine is necessary or desirable for conducting Unit Operations. Provided, however, any special equipment and property necessary for the operation of wells multiply completed in the Unitized Formation and in a non-unitized formation and not needed for Unit Operations shall not be turned over to Unit Operator and shall not be included in the inventory provided in Section 17.2 of this Article.

17.1.3 Records. A copy of all production and well records that pertain to such wells, purchaser number and voluntary unitization agreements.

17.2 Inventory and Evaluation of Personal Property. The Operating Committee shall at Unit Expense inventory well and lease equipment as of the Effective Date, said inventory to be made as close as practicable to such date. The Unit Operator shall notify all Lessees at least Ten (10) days prior to the date for starting the inventory and each Lessee shall have the right to designate a representative to serve on an Inventory Committee to be charged with taking the inventory. The inventory and evaluation shall include and be limited to those items of equipment normally considered controllable by Lessees of oil and gas properties, as indicated in the Material Classification Manual dated September, 1967, prepared by the Council of Petroleum Accountants Societies of North America, except any item of equipment normally considered non-controllable, as determined by the Operating Committee which may be included on the inventories in order to insure a more equitable adjustment of investment. The personal property, shown on the inventory shall be valued by the Operating Committee.

17.3 Investment Adjustment. Upon approval by the Operating Committee of such inventory and evaluation, each Lessee shall be credited with the value of its interest in all personal property so taken over by the Unit Operator under Section 17.1.2 and charged with an amount equal to that obtained by multiplying the total value of all personal property taken over by Unit Operator under Section 17.1.2 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 paid and in all respects be treated as any other 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.

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

17.5 Ownership of Personal Property and Facilities. Each Lessee, individually, shall by virtue hereof own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this Plan of Unitization equal to its Phase II Unit Participation.

## ARTICLE 18

### UNIT EXPENSE

18.1 Basis of Charge to Lessees. Unit Operator initially shall pay and discharge all costs and expenses incurred in the development and operation of the Unit Area. All charges, credits and accounting for such costs and expenses shall be in accordance with Exhibit "C". Except as may be otherwise hereinafter provided, the Lessee or Lessees obligated or responsible for the costs and expenses of operating a Tract for Oil and Gas in the absence of unitization shall, in the same proportion and to the same extent, be chargeable with and responsible for the payment of such costs and expenses charged against such Tract.

During the period when Phase I is in effect, Unit Expense shall be apportioned among and assessed against 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 including overhead charges shall be borne on the basis of Phase I Tract Participation. During the Period when Phase II is in effect all Unit Expense shall be borne on the basis of Phase II Tract Participation.

18.2 Budgets. Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated costs and expenses for the remainder of the calendar year and on or before the first day of each October thereafter shall prepare a budget of estimated costs and expenses for the ensuing calendar year. Such budgets shall set forth the estimated costs and expenses by quarterly periods. Budgets so prepared shall be estimates only and shall be subject to adjustment and correction by the Operating Committee and Unit Operator from time to time whenever it shall appear that adjustment or correction is proper. A copy of each such budget and adjusted budget shall be promptly furnished each Lessee.

18.3 Advance Billing. Unit Operator shall have the right at its option to require Lessees to advance their respective proportions of such costs and expenses by submitting to Lessees, on or before the 15th day of any month, an itemized estimate of such costs and expenses for the succeeding month with a request for a payment in advance. Within Fifteen (15) days thereafter, each Lessee shall pay to Unit Operator its proportionate part of such estimate. Adjustment between estimates and the actual costs shall be made by Unit Operator at the close of each calendar month, and the accounts of the Lessees shall be adjusted accordingly.

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

18.5 Unpaid Unit Expense. If any Lessee fails 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 either the Unit Operator, at the Operator's option, or by all non-defaulting Lessees who are signatory to this Plan of Unitization in the proportion that the ownership of personal property and facilities, as provided in 17.5 hereof, in effect of each bears to the total personal property and facilities ownership of all such Lessees. Any such defaulting Lessee shall not be entitled to participate in the proceeds of Unitized Substances until such amounts so carried have been recovered with interest thereon at Ten percent (10%) per annum, from the income attributable to such defaulting Lessee after first deducting Unit Expense therefrom. Lessees so paying shall be reimbursed therefor, together with their proportionate share 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, and in the event the proceeds due from the defaulting Lessee's share of Unitized Substances is insufficient to discharge the amounts carried, resort may be had to overriding royalty interests, oil and gas payments, or other interests in excess of a One-Eighth (1/8) basic royalty interest

to which such defaulting 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.

18.6 Liens and Foreclosures. The Unit shall have a first and prior lien upon the leasehold interest, exclusive of a 1/8 royalty interest, in and to each Tract, the interest of the owners thereof in and to the Unit Production and all equipment in possession of the Unit, to secure payment of all costs and expenses incurred in the development and operation of the Unit Area and properly charged to and against such Tract, provided that such lien may be enforced against overriding royalty interest, or other interests (exclusive of 1/8 royalty interest) 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 costs and expenses when due, and the Unit Production to the credit thereof is 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 costs and expenses for the purpose of protecting such interest, or if the amount of such unit costs and expenses in whole or in part is deducted from the Unit Production 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 the Unit Operator with respect to the interest or interests primarily chargeable with such unit costs and expenses. 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 and the proceeds thereof paid to the Royalty Owners free and clear of all unit costs and expenses and free of any lien therefor. The lien hereinabove provided for 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 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 19

### OPERATION OF NON-UNITIZED FORMATIONS

19.1 Right to Operate in Non-Unitized Formations. Any Lessee now having, or hereafter acquiring, the right to drill for and produce oil, gas or other minerals within the Unit Area other than from the Unitized Formation, shall have the right to do so notwithstanding this Plan of Unitization. In exercising said right, however, such Lessee shall exercise reasonable precaution to prevent unreasonable interference with operations hereunder. No Lessee shall produce Oil and Gas from the Unitized Formation in any well drilled or operated by it. If a Lessee drills any well into or through the Unitized Formation, the Unitized Formation shall be cased or otherwise protected in such a manner that operations hereunder in the Unitized Formation will not be adversely affected.

19.2 Operation of Multiply Completed Wells. Although wells taken over by the Unit Operator on or after the Effective Date hereof may be completed in formations in addition to the Unitized Formation, no such wells may be multiply completed unless such is approved by and carried out in a manner prescribed by the Operating Committee. However, there is expressly reserved to any Lessee who delivers to Unit Operator a well completed in formations in addition to the Unitized Formation the use of such well for the purpose of exploring, developing and operating such other formations for the production of Oil and Gas; provided that such Lessee shall at his sole cost, risk and expense explore, develop and operate

such other formations and furnish and install equipment necessary to segregate such Lessee's production from the Unitized Substance, both in the well and on the surface, all in a manner approved by the Operating Committee. In the event it becomes necessary to workover, recondition or redrill a multiply completed well by reason of operations for production from such other formation, or the abandonment thereof, said workover, reconditioning, redrilling or abandonment shall be done by and at the sole cost, risk and expense of the person or persons responsible for operations in such other formations and at the approval of and under the supervision of the Operating Committee. In the event of an emergency or the failure of such person or persons to comply with the requirements of the Operating Committee, the Operating Committee shall have the authority to perform all work necessary to protect the Unitized Formation. In the event it becomes necessary to workover, recondition or redrill a multiply completed well by reason of the development, operation or abandonment of the Unitized Formation, said workover, reconditioning or redrilling shall be done by the Unit Operator under the supervision of the Operating Committee and any extra expense incurred in such workover, reconditioning or redrilling resulting from or occasioned by the well being multiply completed in such other formation shall be borne by the person or persons responsible for operations in such other formation. The term "extra expense" as used above shall mean the difference between the normal charges incurred in working over, reconditioning or redrilling a 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 said person or persons with an estimate of such charges prior to commencement of such work. In the event there is a conflict of interest between the Unit and the person or persons responsible for operations in such other formations, the interests of the Unit shall prevail.

#### ARTICLE 20

##### CLAIMS AND SUITS

20.1 Settlements. In the event claim is made against any Lessee or any Lessee is sued on account of any matter or thing arising from the development and operation of the Unit Area and over which such Lessee individually has no control because of the rights, powers and duties herein granted the Unit, said Lessee shall immediately notify the Unit Operator in writing of such claim or suit. The Operating Committee shall assume and take over the handling of such claim or suit and all costs and expenses of handling, settling or otherwise discharging such claim or suit shall be treated, regarded and paid as any other item of Unit Expense, provided that Unit Operator shall have the authority to settle any single suit or claim not involving a payment in excess of Twenty-Five Hundred Dollars (\$2,500.00) provided such payment is a complete settlement of the claim or suit.

#### ARTICLE 21

##### TRANSFER OF INTEREST

21.1 Plan of Unitization is a Covenant. All of the terms and provisions of this Plan of Unitization shall extend to, be binding upon and inure to the benefit of the respective heirs, devisees, legal representatives, successors and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases and interest covered hereby.

21.2 Effect of Transfers. Any transfer, assignment or conveyance of all or any part of an interest owned by any party hereto with respect to any Tract shall be subject to this Plan of Unitization. No such transfer, assignment or conveyance shall be binding for any purpose upon any party hereto other than the party so conveying the same, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change of ownership.

## ARTICLE 22

### FORCE MAJEURE

22.1 Force Majeure. All obligations of each party hereto, except for the payment of money, shall be suspended while said party is prevented from complying therewith, in whole or in part, by strikes, fire, war, civil disturbances, acts of God, federal, state or municipal laws, orders or regulations, inability to secure materials or other causes beyond the reasonable control of said party; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided further that no party shall be required against its will to adjust or settle any labor dispute. This Plan of Unitization or the leases or other instruments subject hereto shall not be terminated by reason of suspension of unit operations due to the aforesaid causes.

## 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 or portions 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 said election as may be required by regulations issued under said Subchapter K, or should said regulations require each party to execute such further evidence, each Lessee agrees to execute or join in the execution thereof. Election hereby made in the other provision of this paragraph shall apply in like manner to applicable State Laws, regulations and rulings now in effect. In making this election, each of the Lessees hereto hereby states that the income derived by it from the operations under this Plan of Unitization can adequately be determined without the computation of partnership taxable income.

## 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 last known address of the representative of each Lessee on the Operating Committee in accordance with Article 12 hereof.

## ARTICLE 25

### ORGANIZATION OF UNIT AND EFFECTIVE DATE OF PLAN

25.1 Call of Organizational Meeting. Subject to call by the Lessee 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 this Plan of Unitization. Notice of time and place of 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 Lessee calling said meeting, 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. Any Lessee within the Unit Area desiring notice of such meeting may file a statement of such desire with the Secretary of the Commission, giving its name and the address to which the notice is to be sent.



25.2 Officers. The representative of the Unit Operator shall be Chairman of the Operating Committee. The Committee shall elect a Secretary and such other officers as the Committee deems proper. The Secretary shall keep and maintain all the records of the Committee. Such officers shall serve at the will of the Operating Committee and perform such other duties as are delegated to them by the Operating Committee.

25.3 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 shall not be less than Twenty (20) days from the entry of the Order approving the Unit or more than Six (6) months after the time when the Order approving the Unit becomes final.

25.4 Nonapproval of Plan of Unitization by Commission. If an Order of the Commission approving this Plan of Unitization has not been entered prior to July 1, 1970, then this Plan of Unitization shall ipso facto terminate on said date, hereinafter called "termination date" and thereafter be of no further force or effect, unless prior thereto this Plan of Unitization has been executed or ratified by Lessees owning a combined Phase II Unit Participation of at least Sixty-Five percent (65%), and such Lessees owning a combined Phase II 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 said termination date is so extended and an Order of the Commission approving this Plan of Unitization is not entered on or before said extended termination date, this Plan of Unitization shall ipso facto terminate on said extended termination date and thereafter be of no further force and effect.

25.5 Failure to Take Over Operations. In the event the Unit shall fail to assume and take over the operations of the Unit Area on or before Six (6) months after the time when the Order of the Commission approving this Plan of Unitization shall have become final, then and in that event the Unit shall, without further action on the part of the Operating Committee, or the Commission, be dissolved and all rights and obligations under this Plan of Unitization shall be at an end, except that any and all costs and expenses incurred by the Unit incident to its organization or preparatory to the taking over of the operation of the Unit Area shall be borne and paid for by the Lessees whose representatives on the Operating Committee by their vote authorized the incurring of such expenses, on the basis of the Phase II Unit Participation. In the event the Unit assumes and takes over the operation of the Unit Area within the time so named, this Plan of Unitization shall thereafter remain in force and effect until such time as the Unit is dissolved and abandoned as hereinafter provided.

25.6 When Commission Order Becomes Final. The Order or Orders of the Commission approving this Plan of Unitization shall be regarded as having become final at the end of the time allowed by law for an appeal therefrom, if no appeal is taken, or, if an appeal is taken, then upon the final determination of any such appeal.

25.7 Certificate of Effectiveness. The Unit Operator shall within Ten (10) days after the Effective Date hereof submit to the County Clerk of Stephens County, Oklahoma, and to the Secretary of the Corporation Commission of Oklahoma, for filing, a written declaration signed by the Unit Operator and Secretary of the Operating Committee, setting forth,

- (a) the hour, day and year on which the Unit took over the operation of the Unit Area;
- (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

### ABANDONMENT OF WELLS

26.1 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.

26.2 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 27

### TERM AND ABANDONMENT OF OPERATIONS

27.1 Term. The Unit and this Plan of Unitization shall continue in effect until the Operating Committee determines that Unitized Substances can no longer be produced in paying quantities.

27.2 Abandonment of Operations. Upon abandonment of operations:

27.2.1 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.

27.2.2 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 properly plug the wells in compliance with applicable laws and regulations.

27.2.3 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 the wells in accordance with applicable laws and regulations. Unit Operator shall have Six (6) months after cessation of the production of Unitized Substances within which to conduct the salvaging and plugging operations.

27.2.4 Cost of Salvage - Distribution of Assets. Each Lessee 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 its ownership in effect as provided in Article 17.5.

27.3 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 to 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.

27.4 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 28

### AMENDMENT OF PLAN OF UNITIZATION AND ENLARGEMENT OF UNIT

28.1 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 29

### RESTRICTED INDIAN LANDS

29.1 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:

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

29.1.2 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.

29.1.3 Information Regarding Unit Operations. The Unit Operator, upon request, shall 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.

29.1.4 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.

29.1.5 Title Disputes. Royalty or 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.

29.1.6 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.

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

29.1.8 Allocation on 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.

29.1.9 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.

29.1.10 Salvaging Wells and Unit Equipment. Notwithstanding the provisions of Section 27.2.3, Unit Operator, upon abandonment of Unit operations, shall, with respect to restricted Indian leases, properly plug and abandon the wells in accordance with applicable laws and regulations and salvage the equipment on said leases within Ninety (90) days after cessation of the production of Unitized Substances.

#### ARTICLE 30

##### COUNTERPART

30.1 Separate Counterparts or Ratifications. This Plan of Unitization may be executed in any number of counterparts and each counterpart so executed shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument; or may be ratified by a separate instrument in writing referring to this Plan of Unitization. Each such ratification shall have the force and effect of an executed counterpart and of adopting by reference all of the provisions thereof.

30.2 Joinder in Dual Capacity. It shall not be necessary for parties owning both Working Interest and Royalty Interest to execute this Plan of Unitization in both capacities in order to commit both classes of interest. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity.

IN WITNESS WHEREOF, the parties hereto have executed this Plan of Unitization upon the respective dates indicated opposite their respective signatures.

##### Working Interest Owners

Attest, If a Corporation or  
Witness, If an Individual

Date Signed

Name

SAMEDAN OIL CORPORATION

By \_\_\_\_\_  
Secretary

By \_\_\_\_\_  
Vice President

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

##### Royalty Owners

Attest, If a Corporation or  
Witness, If an Individual

Date Signed

Name

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
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\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

STATE OF \_\_\_\_\_

(Individual Acknowledgment)

COUNTY OF \_\_\_\_\_

BE IT REMEMBERED, That on this \_\_\_\_\_ day of \_\_\_\_\_ A.D., 19\_\_\_\_, before me, a Notary Public in and for said County and State personally appeared \_\_\_\_\_

to me known to be the identical person \_\_\_\_\_ who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal, the day and year first above mentioned.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_

(Individual Acknowledgment)

COUNTY OF \_\_\_\_\_

BE IT REMEMBERED, That on this \_\_\_\_\_ day of \_\_\_\_\_ A.D., 19\_\_\_\_, before me, a Notary Public in and for said County and State personally appeared \_\_\_\_\_

to me known to be the identical person \_\_\_\_\_ who executed the within and foregoing instrument and acknowledged to me that \_\_\_\_\_ executed the same as \_\_\_\_\_ free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my notarial seal, the day and year first above written.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_

(Corporation Acknowledgment)

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared \_\_\_\_\_ to me known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its \_\_\_\_\_ President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of said Corporation, for the uses and purposes therein set forth.

GIVEN UNDER MY HAND AND SEAL THE DAY AND YEAR LAST ABOVE WRITTEN.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

STATE OF \_\_\_\_\_

(Corporation Acknowledgment)

COUNTY OF \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared \_\_\_\_\_ to me known to be the identical person who signed the name of the maker thereof to the within and foregoing instrument as its \_\_\_\_\_ President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of said Corporation, for the uses and purposes therein set forth.

GIVEN UNDER MY HAND AND SEAL THE DAY AND YEAR LAST ABOVE WRITTEN.

\_\_\_\_\_  
Notary Public

My commission expires \_\_\_\_\_

EXHIBIT "A"

Attached to and Made a Part of  
Plan of Unitization  
North Alma Penn Unit  
Stephens County, Oklahoma

Tract No.	Lease	Description All in T1S-R4W	Tract Participation	
			Phase I	Phase II
1	Keener "C"	NE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 4	0.000000	0.001974
2	Keener "B"	SE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ (Deese) and SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 4	0.032459	0.025035
3	Edwards "B"	NW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ and S $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ (Springer) Section 4	0.000000	0.006436
4	Keener	SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ (Deese) Section 4	0.000000	0.001204
5	Keener	S $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ (Springer) Section 4	0.021094	0.013288
6	Boring	W $\frac{1}{2}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ (Deese) and NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ (Springer) and N $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Springer) and S $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 9	0.088949	0.100737
7	Boring-Marker Unit	SW $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ (Springer) Section 9	0.042719	0.018917
8	Boring-Marker	NW $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ (Deese) Section 9	0.000000	0.000730
9	Pickens	SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ (Springer) and S $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Springer) and NE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ and N $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 9	0.050675	0.043123
10	Pickens	SE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 9	0.004835	0.007915
11	Turner	SW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 10	0.000000	0.001601
12	Turner	N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ and SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 10	0.000000	0.002315
13	Thornton	S $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ and NW $\frac{1}{4}$ SE $\frac{1}{4}$ and N $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 9  NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.052301	0.083672

EXHIBIT "A"  
(Continued)

<u>Tract No.</u>	<u>Lease</u>	<u>Description</u> <u>All in T1S-R4W</u>	<u>Tract</u> <u>Participation</u>	
			<u>Phase I</u>	<u>Phase II</u>
14	Pickens-Crosbie Unit	S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 9	0.026117	0.016648
15	Russell	W $\frac{1}{2}$ SW $\frac{1}{4}$ and SE $\frac{1}{4}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 9	0.123712	0.112434
16	Thornton Unit	N $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 9	0.013097	0.019723
17	Grove Unit	S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 9	0.034278	0.023428
18	Trotter	S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 9  S $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.040833	0.043642
19	Trotter	N $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.005981	0.007607
20	Stedman	NE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.000000	0.001433
21	Steckel Unit	S $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 9	0.000901	0.019494
22	Russell Unit	S $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.002834	0.009780
23	H.E. Russell Unit	S $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 10	0.023868	0.005574
24	Rainey "A"	E $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ and NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 16	0.013047	0.025129
25	Williams	N $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 16	0.012732	0.022914
26	Trotter Unit	NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 16	0.049854	0.048678
27	Pressgrove-Miller	NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 15	0.028021	0.037510
28	Miller	NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 15	0.005351	0.015323
29	Cornelius	W $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 15	0.001280	0.002384
30	Rainey	SW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Deese) Section 16	0.000000	0.001321
31	Williams Unit	S $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Springer) Section 16	0.016673	0.021874

EXHIBIT "A"  
(Continued)

<u>Tract No.</u>	<u>Lease</u>	<u>Description All in T1S-R4W</u>	<u>Tract Participation</u>	
			<u>Phase I</u>	<u>Phase II</u>
32	Williams	SE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Deese) Section 16	0.000000	0.000875
33	Rainey "B"	E $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 16	0.004033	0.006954
34	Williams	S $\frac{1}{2}$ NE $\frac{1}{4}$ Section 16	0.081648	0.079514
35	Aldridge	N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 15	0.020295	0.020591
36	Pressgrove	SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 15	0.013666	0.014147
37	Prince "A"	SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ and NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 15	0.019031	0.015047
38	Aldridge- Pressgrove	SE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ (Deese) Section 15	0.000000	0.002151
39	Aldridge- Pressgrove Unit	SE $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ and NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ (All Springer) Section 15	0.002038	0.004885
40	Aldridge "A"	N $\frac{1}{2}$ SE $\frac{1}{4}$ and NE $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ and SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 16	0.050473	0.045220
41	Pressgrove	NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ (Deese) and W $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 15	0.011305	0.014803
42	Carnes	E $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ and E $\frac{1}{2}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 15	0.003841	0.008630
43	Prince "C"	S $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$ and SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 15  NE $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 22	0.071017	0.026181
44	Aldridge "A"	N $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 21	0.002157	0.003189
45	Prince "B"	NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 22	0.013674	0.004166
46	Prince	W $\frac{1}{2}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 22	0.008487	0.005919



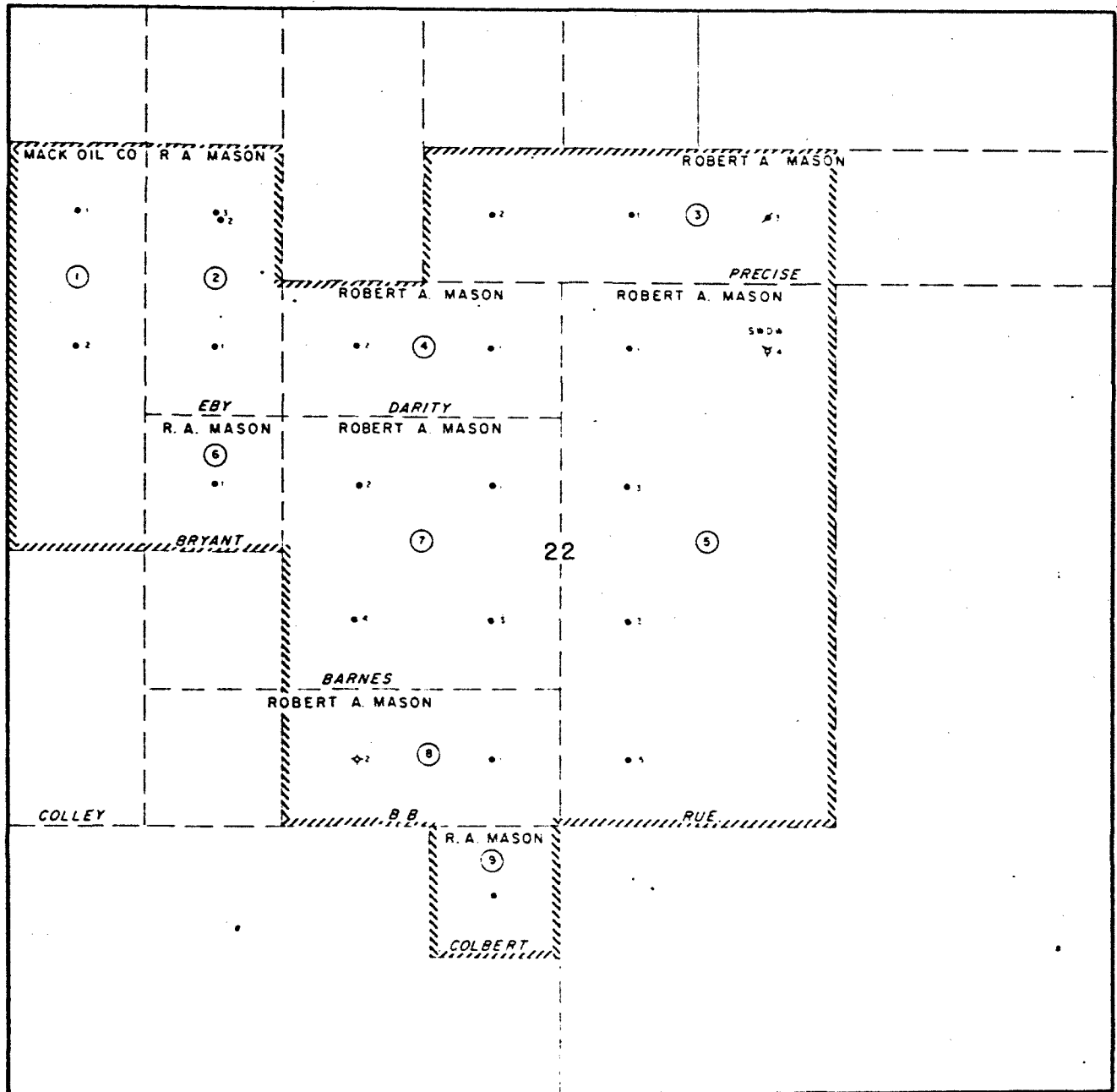
EXHIBIT "A"  
(Continued)

<u>Tract No.</u>	<u>Lease</u>	<u>Description</u> <u>All in T1S-R4W</u>	<u>Tract</u> <u>Participation</u>	
			<u>Phase I</u>	<u>Phase II</u>
47	Hynd	NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 22	0.003393	0.003108
48	Aldridge	NW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22	0.003331	0.002777
			<u>1.000000</u>	<u>1.000000</u>

Phase Definition

- Phase I - As Referred To In Said Plan Of Unitization And Herein Defined Shall Be That Period Commencing On The Date The Unit Becomes Effective And Ending At 7:00 A.M. On The First Day Of The Month Following The Month In Which The Total Oil Produced And Sold From The Unitized Formation After July 1, 1968, Reaches 1,474,700 Barrels.
- Phase II - Shall Be That Period Commencing At The Termination Of Phase I And Continuing Thereafter As Long As Said Unit Is Effective, Applying To All Unitized Substances Produced From The Unitized Formation.

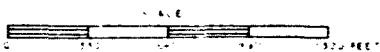
R. 4 W.



T.  
I.  
S.

LEGEND

- LOCATION OR DRILLING WELL
- OIL WELL
- ABANDONED OIL WELL
- \* GAS WELL
- \* ABANDONED GAS WELL
- ✦ DRY HOLE
- V SALT WATER DISPOSAL WELL
- ③ TRACT NUMBER



ROBERT A. MASON

PORTION OF

SHO - VEL - TUM FIELD

STEPHENS COUNTY, OKLAHOMA

PENNSYLVANIAN SAND UNIT

UNIT OUTLINE ~~~~~

EXHIBIT NO. A

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

## 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 ten percent (10%) per annum until paid.

##### 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, excluding, however, salary and expenses paid to (1) Supervisory employees above the level of Production and Drilling Foremen, and (2) Geologists and Engineers.
- 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)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	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 Five	Next Five	All Wells Over Ten
4,000' - 8,000'	\$540.00	\$75.00	\$75.00	\$75.00

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:

- 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.
  - The status of wells shall be as follows:
    - 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.
    - 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.
    - 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.
    - 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.
    - 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.
    - Injection wells completed in multiple horizons shall be charged as two (2) wells when more than one (1) isolated injection zone exists. Combined producing-injection wells shall be charged as multiple completions. All other wells shall be charged as single-producing wells.
  - 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.
  - 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:
- Total cost less than \$25,000, no charge.
  - Total cost more than \$25,000 but less than \$100,000, 3 % of total cost.
  - Total cost of \$100,000 or more, 3 % of the first \$100,000 plus 2 % 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**

A. **New Material (Condition "A")**

- 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 minimum freight rates 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.
- 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.
- 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")**

- 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.
- Material which cannot be classified as Condition "B" but which,
  - After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
  - 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.
- 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"

ATTACHED TO PLAN OF UNITIZATION  
FOR NORTH ALMA PENN UNIT  
STEPHENS COUNTY, OKLAHOMA

INSURANCE

Operator shall, at all times while operations are conducted on the jointly owned property, carry insurance to indemnify, protect and save the parties hereto harmless as follows:

- (a) Workmen's compensation insurance in accordance with the laws of the State of Oklahoma; and employers' liability insurance with limits of not less than Twenty-Five Thousand Dollars (\$25,000.00).
- (b) Public liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000.00) as to any one person and Three Hundred Thousand Dollars (\$300,000.00) as to any one accident, and property damage liability insurance with a limit of not less than One Hundred Thousand Dollars (\$100,000.00) for each accident.
- (c) Automobile public liability insurance with limits of not less than One Hundred Thousand Dollars (\$100,000.00) as to any one person and Three Hundred Thousand Dollars (\$300,000.00) as to any accident, and automobile property damage insurance with a limit of not less than Ten Thousand Dollars (\$10,000.00) to cover all automotive equipment.

Operator shall not provide fire and tornado insurance for the joint account of the parties hereto.

IN THE MATTER OF THE APPLICATION OF SAMEDAN OIL CORPORATION FOR CREATION OF THE NORTH ALMA PENN UNIT, HAVING FOR ITS PURPOSE THE UNITIZED MANAGEMENT, OPERATION AND FURTHER DEVELOPMENT OF THAT PORTION OF THE PENNSYLVANIA SANDS COMMON SOURCE OF SUPPLY, AS DEFINED IN THE PLAN OF UNITIZATION ATTACHED TO SAID APPLICATION HEREIN, AND UNDERLYING CERTAIN LANDS IN STEPHENS COUNTY, OKLAHOMA; THE DEFINING OF THE UNIT AREA THEREOF; AND THE PRESCRIBING OF THE PLAN OF UNITIZATION APPLICABLE TO SUCH UNIT AND UNIT AREA.

Cause CD No.31257

SMITH, LEAMING & SWAN, ATTORNEYS  
907 CITY NATIONAL BLDG. 235-1576



CERTIFICATE OF EFFECTIVENESS

NORTH ALMA PENN UNIT

FILED

FEB - 9 1970

SECRETARY  
CORPORATION COMMISSION  
OF OKLAHOMA

KNOW ALL MEN BY THESE PRESENTS: That:

1. That on the 10th day of December, 1969, the Corporation Commission of Oklahoma, acting pursuant to authority of Section 287.1 through 287.15, Title 52, O.S.A. 1961, made and entered its Order No. 78411 in Cause CD No. 31257 then pending before said Commission ordering the creation of the North Alma Penn Unit in accordance with and upon and subject to the terms, provisions and conditions of the Plan of Unitization therein referred to, which North Alma Penn Unit has for its purpose the unitized management, operation and further development of a portion of the common source of supply of oil and gas known as the Pennsylvania Sands common source of supply as described in said Order No. 78411 insofar as the said portion underlies the North Alma Penn Unit Area in Stephens County, State of Oklahoma, described as follows:

SW $\frac{1}{4}$  of SW $\frac{1}{4}$  of SW $\frac{1}{4}$  and the E $\frac{1}{2}$  of SW $\frac{1}{4}$  of SW $\frac{1}{4}$  and the SE $\frac{1}{4}$  of SW $\frac{1}{4}$  and the W $\frac{1}{2}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 4;

W $\frac{1}{2}$  and the W $\frac{1}{2}$  of E $\frac{1}{2}$  and the E $\frac{1}{2}$  of SE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of NE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of NE $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 9;

SW $\frac{1}{4}$  of NW $\frac{1}{4}$  of NW $\frac{1}{4}$  and the N $\frac{1}{2}$  of SW $\frac{1}{4}$  of NW $\frac{1}{4}$  and the SW $\frac{1}{4}$  of SW $\frac{1}{4}$  of NW $\frac{1}{4}$  and the NW $\frac{1}{4}$  of NW $\frac{1}{4}$  of SW $\frac{1}{4}$  and the S $\frac{1}{2}$  of NW $\frac{1}{4}$  of SW $\frac{1}{4}$  and the SW $\frac{1}{4}$  of SW $\frac{1}{4}$  and the S $\frac{1}{2}$  of SE $\frac{1}{4}$  of SW $\frac{1}{4}$  and the NE $\frac{1}{4}$  of SE $\frac{1}{4}$  of SW $\frac{1}{4}$  of Section 10;

W $\frac{1}{2}$  and the W $\frac{1}{2}$  of NW $\frac{1}{4}$  of NE $\frac{1}{4}$  and the W $\frac{1}{2}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 15;

NE $\frac{1}{4}$  and the NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the E $\frac{1}{2}$  of NW $\frac{1}{4}$  of NW $\frac{1}{4}$  and the E $\frac{1}{2}$  of SE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the N $\frac{1}{2}$  of SE $\frac{1}{4}$  and the SE $\frac{1}{4}$  of SE $\frac{1}{4}$  and the NE $\frac{1}{4}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 16;

N $\frac{1}{2}$  of NE $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 21; and

NW $\frac{1}{4}$  of NW $\frac{1}{4}$  of NE $\frac{1}{4}$  and the N $\frac{1}{2}$  of NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the SW $\frac{1}{4}$  of NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the N $\frac{1}{2}$  of NW $\frac{1}{4}$  of NW $\frac{1}{4}$  of Section 22;

All in Township 1 South, Range 4 West, in Stephens County, Oklahoma.

That the unitized portion of said common source of supply constituting the North Alma Penn Unit is that portion of the Pennsylvania Sands common source of supply identified as and being the same formations encountered between the depths of 3,050 feet and 5,370 feet as indicated on the electric log in the Samedan Oil Corporation Thornton No. 2 Well located in the SE $\frac{1}{4}$  of NW $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 9, Township 1 South, Range 4 West, Stephens County, Oklahoma, insofar as such formations underly the S $\frac{1}{2}$  of SW $\frac{1}{4}$  of SW $\frac{1}{4}$  of Section 4, that part of Section 9 described in the above paragraph (except the E $\frac{1}{2}$  of NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the NW $\frac{1}{4}$  of NE $\frac{1}{4}$ ), and the portions of

Sections 10, 15, 16, 21 and 22 described in the paragraphs above, all in Township 1 South, Range 4 West, and the said unit also includes the NE $\frac{1}{4}$  of SW $\frac{1}{4}$  of SW $\frac{1}{4}$ , the SE $\frac{1}{4}$  of SW $\frac{1}{4}$ , the NW $\frac{1}{4}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$ , and the S $\frac{1}{2}$  of SW $\frac{1}{4}$  of SE $\frac{1}{4}$  of Section 4, and the E $\frac{1}{2}$  of NE $\frac{1}{4}$  of NW $\frac{1}{4}$  and the NW $\frac{1}{4}$  of NE $\frac{1}{4}$  of Section 9, Township 1 South, Range 4 West, insofar as the above described formations are encountered between the depths of 5,000 feet and 5,540 feet in the Cox-Hamon Oil Corporation Pickens No. 3 Well located in the SE $\frac{1}{4}$  of NE $\frac{1}{4}$  of NW $\frac{1}{4}$  of Section 9, Township 1 South, Range 4 West.

2. Attached to said Order No. 78411 and on file in the office of the Corporation Commission of the State of Oklahoma is a full and complete copy of the Plan of Unitization prescribed and approved by said Commission for the aforesaid Unit and Unit Area, reference to said Order and said Plan of Unitization being hereby made for further information in regard thereto.

3. Samedan Oil Corporation, a corporation with offices at 110 West Broadway, Ardmore, Oklahoma 73401, has been named and has accepted the position of Unit Operator under said Plan of Unitization.

4. On the 1st day of February, 1970, at the hour of 7:00 a.m., the North Alma Penn Unit provided for in said Order No. 78411 and in said Plan of Unitization, acting by and through Samedan Oil Corporation as Unit Operator, took over the operation and further development of the Unit Area of said Unit in accordance with said Order of the Corporation Commission and said Plan of Unitization.

EXECUTED this 6th day of February, 1970.

ATTEST:

Ray P. Perry  
Secretary

NORTH ALMA PENN UNIT

By William A. McCuen  
Chairman, Operating Committee  
Samedan Oil Corporation,  
Operator

STATE OF OKLAHOMA       )  
                                  ) ss:  
COUNTY OF CARTER       )

BEFORE ME, the undersigned, a Notary Public in and for the County and State aforesaid, personally appeared William A. McCuen, to me personally known to be the Chairman of the Operating Committee of the North Alma Penn Unit, created pursuant to Order No. 78411 and entered by the Corporation Commission of Oklahoma on December 10, 1969, and to be the identical person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of said North Alma Penn Unit, for the uses and purposes therein set forth.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of February, 1970.

Que B. Ratcliff  
Notary Public

My commission expires:

September 3, 1971.

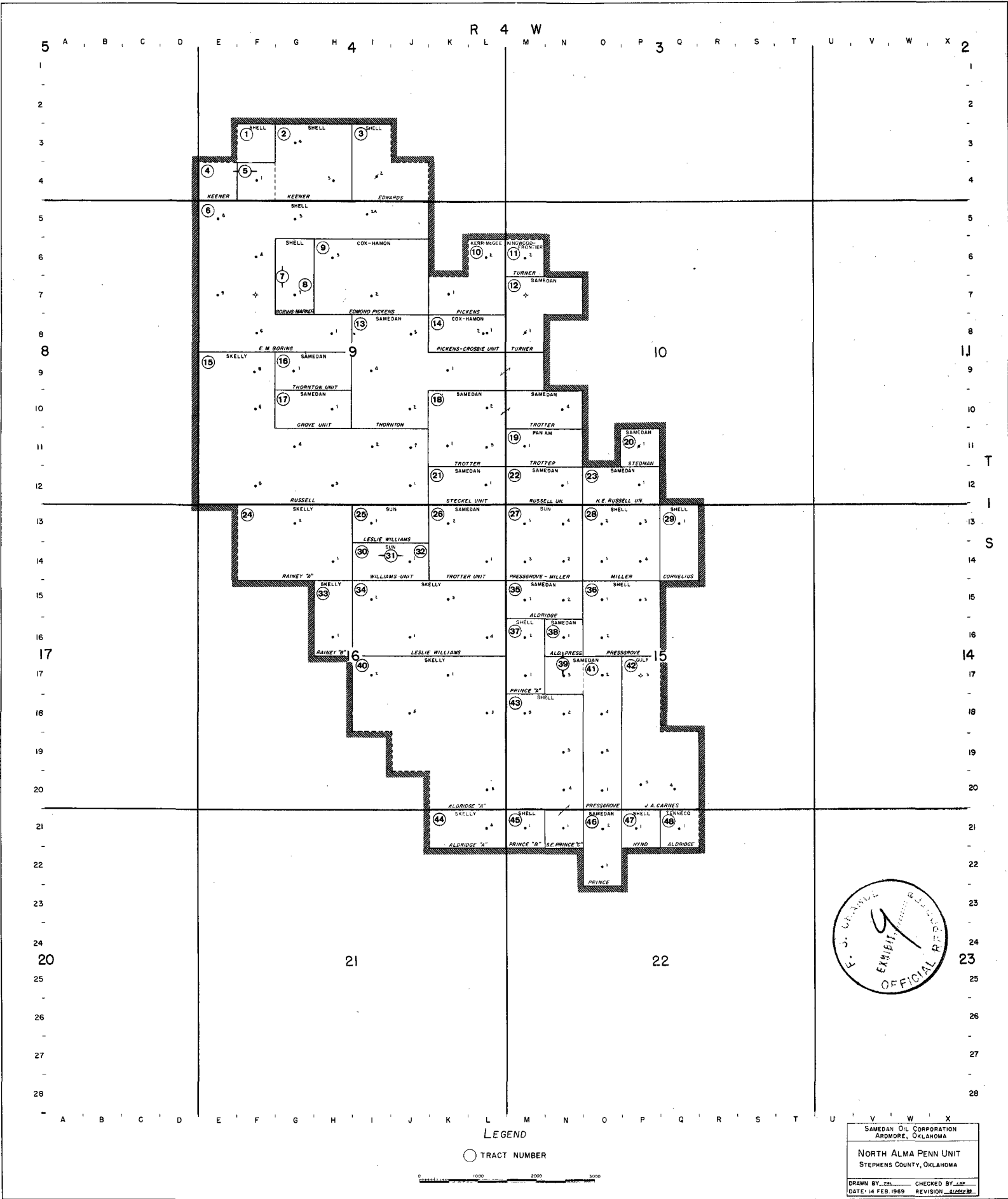


EXHIBIT 'B'