

PLAN OF UNITIZATION

EAST VELMA WEST BLOCK HUMPHREYS SAND UNIT

EAST VELMA FIELD

STEPHENS COUNTY, OKLAHOMA

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WITNESSETH

The following shall constitute the Plan of Unitization applicable to the East Velma West Block Humphreys Sand Unit, East Velma Field, Stephens County, Oklahoma, created pursuant to authority of Senate Bill 203 of the 1951 Legislature of the State of Oklahoma and having for its purpose the unitized management, operation and further development of the Humphreys Sand, 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 East Velma West Block Humphreys Sand Unit.

1.2 Unit Area shall mean the lands situated within the East Velma Field, Stephens County, Oklahoma, described by Separately Owned Tracts in Exhibit A and shown on Exhibit B.

1.3 Unitized Formation shall mean that subsurface portion of the Unit Area commonly known as the Humphreys Sand of the Springer Group and which is that stratigraphic interval occurring between the Wapanucka Unconformity and the top of the Sims Sand and which is the same formation that was encountered between the depths of 6026 feet and 6107 feet below the Kelly bushing on the basis of the electrical log of the Pan American Petroleum Corporation's Miller Unit Well No. 1 located in the NE/4 of the SW/4 of the SW/4 of Section 34, Township 1 South, Range 4 West, Stephens County, Oklahoma.

1.4 Unit Production shall mean and include all Oil and Gas 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, casing-head gas, casinghead gasoline, 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, 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 Owner shall mean any owner of an interest in Unit Production or proceeds thereof other than that of a Lessee.

1.8 Separately Owned Tract shall mean each parcel of land described as such and given a tract number in Exhibit A.

1.9 Unit Operator shall mean the Lessee designated to develop and operate the Unitized Formation.

1.10 Tract Participation shall mean that percentage of Unit Production which is allocated to a Separately Owned Tract under this Plan of Unitization.

1.11 Unit Participation of each Lessee shall mean the sum of the percentages obtained by multiplying such Lessee's fractional working interest in each Separately Owned Tract by the Tract Participation of such tract.

1.12 Outside Substances shall mean all substances obtained from any source other than the Unitized Formation.

1.13 Oil and Gas Rights shall mean the right to explore, develop and operate lands within the Unit Area for the production of Oil and Gas or to share in the production so obtained or the proceeds thereof.

1.14 Commission shall mean the Corporation Commission of the State of Oklahoma.

ARTICLE 2

EXHIBITS

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

2.1.1 Exhibit A is a schedule describing each Separately Owned Tract in the Unit Area and showing its Tract Participation.

2.1.2 Exhibit B is a map of the East Velma Field, showing the boundary line of the Unit Area and the Separately Owned Tracts thereon.

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.

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. The terms and provisions of the various leases, agreements or other instruments covering the respective Separately Owned Tracts are hereby amended to the extent necessary to make them conform to the terms and provisions of this Plan of Unitization, but otherwise are to remain in full force and effect.

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 Separately Owned 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 such Separately Owned 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. Division orders, transfer orders and similar contracts executed prior to the effective date hereof, and in force immediately prior to such effective date, shall continue in force unless and until terminated in accordance with the provisions therein contained, but shall apply to the amount of Unit Production allocated to the Separately Owned Tracts covered thereby in lieu of actual production from such tracts.

3.5 Injection Rights. Royalty Owners hereby grant unto the Lessees the right to inject into the Unitized Formation any substances in whatever amounts the Lessees deem expedient, including the right to place and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for said purposes.

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 into the Unitized Formation.

4.2 Change of Operating Methods. Such other methods of operation 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 contained shall prevent the Operating Committee from discontinuing or changing in whole or in part any particular method of operation if, in their opinion, such method of operation is no longer in accordance with good engineering or production practices.

ARTICLE 5

ALLOCATION OF UNIT PRODUCTION

5.1 Allocation to Tracts. All Unit Production, except that production used in development and operation of the Unit Area, shall be apportioned among and allocated to the several Separately Owned Tracts within the Unit Area in accordance with the respective Tract Participations as set forth in Exhibit A. The amount of Unit Production so allocated to each Separately Owned 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 Separately Owned Tract shall, for all intents, uses and purposes, be deemed to have been produced from such Separately Owned Tract.

5.2 Distribution Within Tracts. The Unit Production allocated to each Separately Owned Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Separately Owned 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 Separately Owned Tract, or in the proceeds thereof, had this Plan of Unitization not been entered into, and with the same legal force and effect.

5.3 Taking Unit Production in Kind. The Unit Production allocated to each Separately Owned Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. 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 whose interest is subject to the interest of such Royalty Owner shall be entitled to take in kind such share of the Unit Production.

5.4 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, 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 year. The proceeds of the Unit Production so disposed of by Unit Operator shall be paid to the party entitled thereto.

5.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unit Production allocated to a Separately Owned Tract is in dispute, Unit Operator shall either:

5.5.1 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,

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

5.6 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unit Production allocated to any Separately Owned Tract, or receiving the 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.

5.7 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 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 50%. If the Outside Substances injected be liquefied petroleum gases and the Unit Production subsequently produced contains such liquefied petroleum gases as determined by fractional analysis or such other tests as applicable, the Lessees shall have the right to recover such contained gases, or their equivalent value, from such Unit Production, without payment of royalty thereon.

ARTICLE 6

USE OR LOSS OF UNIT PRODUCTION

6.1 Use of Unit Production. Lessees may use as much of the Unit Production as they deem necessary for the operation and development of the Unit Area, including but not limited to the injection thereof into the Unitized Formation.

6.2 Royalty Payments. No royalty, overriding royalty, production or other payments shall be payable upon or with respect to 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 7

TITLES

7.1 Title Information. Upon request of either the Operating Committee or the Unit Operator, the Lessees of the several Separately Owned Tracts shall make available to the Operating Committee or the Unit Operator, as the case may be, an abstract brought down to the date of the request, together with such other title information in the possession of such Lessees affecting titles to the Oil and Gas Rights in and to the Unit Area.

ARTICLE 8

EASEMENTS OR USE OF SURFACE

8.1 Grant of Easements. The Unit and Unit Operator shall have the right to use as much of the surface of the land within the Unit Area as 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.

8.2 Use of Water. The Unit shall have free use of water from the Unit Area for operations hereunder except water from Royalty Owner's wells, private lakes, ponds, or irrigation ditches.

8.3 Surface Damages. The Unit shall pay the rightful owners for damages to growing crops, timber, fences improvements and structures on the Unit Area resulting from operations hereunder.

ARTICLE 9

RELATIONSHIP OF PARTIES

9.1 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.

9.2 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.

9.3 Reservation of Rights of Lessees. Lessees severally reserve to themselves all their rights, power, authority and privileges, except as expressly provided in this Plan of Unitization.

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

9.4.1 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.

9.4.2 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 pertaining to unit operations. 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 10

GENERAL POWERS OF UNIT

10.1 General Powers of Unit. The Unit is authorized and empowered on behalf 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 Senate Bill 203 of the 1951 Session of the Oklahoma Legislature and by this Plan of Unitization.

ARTICLE 11

CREATION OF OPERATING COMMITTEE AND SUPERVISION OF UNIT OPERATIONS

11.1 Creation of Operating Committee. An Operating Committee is hereby created to consist of one representative to be designated by each Lessee 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.

11.2 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.

11.3 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:

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

11.3.2 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.

11.3.3 Well Workovers and Change of Status. The recompletion, abandonment, or change of status of any well in the Unit Area or use of any such well for injection or other purposes.

11.3.4 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.

11.3.5 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 Fifteen Hundred Dollars (\$1,500.00) or more. The Operating Committee shall establish a procedure for disposition of such surplus material.

11.3.6 Appearance Before a Court or Regulatory Body. Authorization for a representative to appear before any court or regulatory body in matter 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.

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

- (a) be conducted not more than once each year or upon the resignation or removal of Unit Operator;
- (b) be made at the expense of all Lessees other than the Lessee designated as Unit Operator; and
- (c) be made upon not less than thirty (30) days' written notice to Unit Operator.

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

11.3.9 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 by Exhibit C.

11.3.10 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.

11.4 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 operation 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 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.

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

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

11.5.2 Vote Required. Except as may otherwise be provided herein, the Operating Committee shall act upon and determine all matters coming before it by the affirmative vote of Sixty-Five percent (65%) or more voting interest, provided that should any one Lessee own more than Thirty-Five percent (35%) voting interest, its vote must be supported by the vote of two or more Lessees having a combined voting interest of at least Ten percent (10%).

11.5.3 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.

11.5.4 Poll Votes. Any matter requiring approval of the Operating Committee may be decided by a written or telegraphic poll of the Operating Committee conducted by the Chairman, provided the matter is first submitted by the Chairman to each member of the Committee and no meeting on the matter is called as provided in Section 11.4, within seven (7) days after such proposal is dispatched to the members. The Chairman will give prompt notice of the results of such voting to all members of the Operating Committee.

ARTICLE 12

UNIT OPERATOR

12.1 Initial Unit Operator. Pan American Petroleum Corporation is hereby designated as initial Unit Operator.

12.2 Resignation or Removal. Unit Operator may resign at any time. The Operating Committee may remove Unit Operator by the affirmative vote of at least eighty percent (80%) 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.

12.3 Selection of Successor. In the event of the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by the Operating Committee, provided no Unit Operator who is so removed may vote to succeed itself.

ARTICLE 13

POWERS AND DUTIES OF UNIT OPERATOR

13.1 Exclusive Right to Operate Unit. Subject to the provisions of this Plan of Unitization and to the orders, directions and limitations rightfully given or imposed by the Operating Committee, Unit Operator shall have the exclusive right and be obligated to develop and operate the Unit Area for the production of Oil and Gas from the Unitized Formation.

13.2 Workmanlike Conduct. Unit Operator shall conduct all operations hereunder in a good and workmanlike manner and, in the absence of specific instructions from the Operating Committee, shall have the right and duty to conduct such operations in the same manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with the Operating Committee and keep it advised of all matters arising in connection with such operations 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 the gross negligence or willful misconduct of Unit Operator.

13.3 Liens and Encumbrances. Unit Operator shall keep the lands and leases in the Unit Area free from all liens and encumbrances occasioned by operations hereunder except the lien granted the Unit and the Unit Operator under this Plan of Unitization.

13.4 Employees. The number of employees used by Unit Operator in conducting operations hereunder, the selection of such employees, the hours of labor, and the compensation for services to be paid any and all such employees shall be determined by Unit Operator so long as such is consistent with industry practice in the respective area. Such employees shall be the employees of Unit Operator.

13.5 Records. Unit Operator shall keep true and correct books, accounts and records of its operations hereunder.

13.6 Reports to Lessees. Unit Operator shall furnish to each Lessee periodic reports of the development and operation of the Unit Area.

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

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

13.9 Expenditures. Unit Operator is authorized without prior approval of the Operating Committee to (1) make all expenditures for normal or recurring operating expense, (2) make single expenditures not in excess of Ten Thousand Dollars (\$10,000.00), (3) sell or otherwise dispose of any major item of surplus material or equipment, the current list price of new equipment similar thereto being less than Fifteen Hundred Dollars (\$1500.00), and (4) perform well workovers, repairs and stimulations provided each such operations does not exceed the Ten Thousand Dollar (\$10,000.00) limit, except in case of blowout, explosion, fire, flood or other sudden emergency, Unit

Operator may take such steps and incur such expense as in its opinion are required to safeguard life and property; provided that Unit Operator shall, as promptly as possible, report the emergency and the action taken to the Operating Committee.

ARTICLE 14

TAXES

14.1 Ad Valorem Taxes. Unit Operator, after consulting with the Operating Committee, shall make and file for ad valorem tax purposes all necessary renditions and returns with the proper taxing authorities or governmental subdivisions covering all real and personal property of each Lessee within the Unit Area and used in connection with the development and operation of the Unit Area. Any Lessee dissatisfied with any proposed rendition or assessment of its interest in real or personal property shall have the right, at its own expense, to protest and resist the same. All such ad valorem taxes due and payable on account of real and personal property of each Lessee located within the Unit Area and used in connection with unit operations shall be paid by Unit Operator for the joint account in the same manner as other costs and expenses of unit operations.

14.2 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 15

INSURANCE

15.1 Insurance. Unit Operator shall carry with respect to unit operations subject to this Plan of Unitization:

15.1.1 Workmen's Compensation and Employer's Liability Insurance as required by the laws of the State of Oklahoma.

15.1.2 Such other insurance as set forth in Exhibit D.

ARTICLE 16

ADJUSTMENT OF INVESTMENTS

16.1 Personal Property Taken Over. Upon the effective date hereof, the Lessees shall deliver to Unit Operator, the possession of:

16.1.1 Wells. All wells completed in the Unitized Formation with the provision that such possession for wells completed in a formation in addition to the Unitized Formation is subject to rights retained by Lessees as provided in Article 19 hereof.

16.1.2 Well and Lease Equipment. All well and lease equipment, including casing, used in the operation of such wells in the Unitized Formation subject to the following provisions:

16.1.2.1 Casing and Wellhead Connections. The casing and wellhead connections in any well completed only in the Unitized Formation or dually completed in a formation other than the underlying Sims formation, shall be taken over by Unit Operator. The casing and wellhead connections in any well dually completed in the Unitized Formation and the underlying Sims formation shall not be taken over by Unit Operator.

16.1.2.2 Subsurface and Lease Equipment. All subsurface, lease and operating equipment used in the operation of such wells in the Unitized Formation which the Operating Committee determines is necessary or desirable for conducting unit operations.

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

16.2 Inventory and Evaluation of Personal Property. The Operating Committee shall at unit expense inventory and evaluate in accordance with the provisions of Exhibit C the personal property taken over, provided that items of property or equipment considered obsolete by the Operating Committee shall only be taken over on specific authority of the Operating Committee and at a price mutually agreeable to the owners thereof and the Operating Committee. The inventory shall include all tangible property classified as "controllable" material and such "non-controllable" material as hereinafter listed. The distinction between "controllable" and "non-controllable" material shall be based on the Material Classification Manual prepared in 1960 by the Petroleum Accountants Society of Oklahoma. Items classified as "non-controllable" shall be included in the inventory as follows: Sucker rods, valves two inches and over, all wellhead fittings and Kobe tubing (including surface lines). Other "non-controllable" items omitted from the inventory shall nevertheless be taken over by the Unit if in use on the Unit Area.

16.3 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 16.1.2 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 16.1.2 by such Lessee's 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.

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

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

16.6 Adjustment of Intangible Well Costs. There shall be no adjustment of intangible well costs.

ARTICLE 17

DEVELOPMENT AND OPERATING COSTS

17.1 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. Such costs and expenses shall be apportioned among and assessed against the Separately Owned Tracts in proportion to their respective percentages of Tract Participation as set forth in Exhibit A. Except as may be otherwise hereinafter provided, the Lessee or Lessees obligated or responsible for the costs and expenses of operating a Separately Owned 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 Separately Owned Tract.

17.2 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. Unless otherwise specified in the budget, it shall be presumed for the purposes of advance billings that the estimated costs and expenses for each month of a quarterly period shall be one-third (1/3) of the estimate for the quarterly period. 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.

17.3 Advance Billings. 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 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.

17.4 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.

17.5 Nonpayment by Individual Lessee. In the event a Lessee is unable to meet promptly its financial obligations in connection with the Unit, the unpaid balance of its portion of unit expense shall be carried by the other Lessees signatory to this Plan of Unitization, and such amount shall bear interest at the rate of six percent (6%) per annum, compounded annually, and shall be due and payable out of the total proceeds from such defaulting Lessee's allocated share of Unit Production. All credits to any such Lessee on account of the sale or other disposal of surplus material or equipment, or otherwise, shall be applied against any such unpaid unit expense charged against such Lessee.

17.6 Billing of Defaulted Payments. Amounts so carried as aforesaid in Section 17.5 shall be billed to and paid by all nondefaulting Lessees signatory to this Plan of Unitization in the proportion that the Unit Participation of each bears to the total Unit Participation of all such Lessees. Lessees so paying the same shall be reimbursed therefor, together with interest thereon, as and when the amounts so carried and the interest thereon are collected from the Lessees primarily chargeable therewith.

17.7 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 Separately Owned 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 Separately Owned Tract, provided that such lien may be enforced against overriding royalty interest, or other interests which are otherwise not chargeable with such costs and expenses, only in the event the owner of the interest or interests primarily responsible fails to pay such 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 expense for the purpose of protecting such interest, or the amount of such unit costs and expense 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 expense. A one-eighth (1/8) part of the Unit Production allocated to each Separately Owned 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 expense 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 after a person has been in default for a period of six (6) months. Foreclosures shall be made by a proceeding in equity in the District Court of Stephens County, Oklahoma.

17.8 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be drilled on a competitive contract basis at the usual rates prevailing in the area of the East Velma Field. Unit Operator may employ its own tools and equipment in the drilling of wells, but in such event the charge therefor shall not exceed the prevailing rate in such area, and such work shall be performed by Unit Operator under the same terms and conditions as are customary and usual in such area in contracts of independent contractors doing work of a similar nature.

ARTICLE 18

OIL IN LEASE TANKAGE ON EFFECTIVE DATE

18.1 Gauge of Merchantable Oil. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order

to ascertain the amount of merchantable oil in such tanks 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; and such Lessees shall promptly remove said oil from the Unit Area. Any such oil not so removed shall be sold by Unit Operator for the account of such Lessees, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases or other contracts.

ARTICLE 19

OPERATION OF NONUNITIZED FORMATIONS

19.1 Right to Operate in Nonunitized 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 full right to do so notwithstanding this Plan of Unitization. In exercising said right, however, such Lessee shall exercise every 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 Dually Completed Wells. Although wells delivered to Unit Operator on the effective date hereof as provided in Article 16 may be completed in a formation in addition to the Unitized Formation, no such wells may subsequently be dually 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 a formation in addition to the Unitized Formation the use of such well for the purpose of exploring, developing and operating such other formation 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 formation and furnish and install equipment necessary to segregate the production from production from the Unitized Formation, both in the well and on the surface, all in a manner approved by the Operating Committee with the further provision, however, that if such other formation is the underlying Sims formation and such formation is now or in the future included in a fieldwide unit such segregation shall be as prescribed and approved by the operating committee of that unit. In the event it becomes necessary to work over, recondition or redrill a well dually completed in the Unitized Formation and a formation other than the underlying Sims formation, by reasons 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 formation 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 work over, recondition or redrill a well dually completed in the Unitized Formation and a formation other than the underlying Sims formation 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 dually 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 dually completed well and the normal charges for doing the same work on a well which is not dually 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 it becomes necessary to work over, recondition or redrill a well dually completed in the Unitized Formation and the underlying Sims formation, by reason of the development, operation or abandonment of the Unitized Formation, the Unit Operator shall first obtain approval to do such work from the person or persons responsible for operations in such formation and after obtaining approval shall conduct the work under their supervision. In the event there is a conflict of interests in a well dually completed in the Unitized Formation and the underlying Sims formation, the interests of the person or persons responsible for operations in the Sims formation shall prevail over the interests of the Unit.

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 further 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 One Thousand Dollars (\$1,000.00) 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 interests covered hereby.

21.2 Effect of Transfers. Any transfer, assignment or conveyance of all or any part of any interest owned by any party hereto with respect to any Separately Owned 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 in 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 interests 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.

ARTICLE 24

NOTICES

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

ARTICLE 25

ORGANIZATION OF UNIT AND EFFECTIVE DATE OF PLAN

25.1 Call of Organizational Meeting. Subject to call by the Lessee of record designated herein as the Unit Operator, the representatives designated by the several Lessees on the Operating Committee 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 said meeting shall be mailed at least ten (10) days prior thereto to all Lessees within the Unit Area whose names and addresses are known to the 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 select a Secretary and such other officers as the Committee deems proper. The Secretary and other officers may or may not be members of the Committee. The Secretary shall keep and maintain 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. Upon completion of its organization, the Operating Committee shall proceed to make plans and preparations and take such steps as are necessary for the taking over of the unitized operation and further development of the Unit Area by the Unit, shall in advance thereof fix the time when the Unit will take over such operation and development, and give the Lessees within the Unit Area reasonable notice thereof. The time so fixed shall not be less than thirty-one (31) days after the entry of the order of the Commission approving this Plan of Unitization and finding that it has been signed, ratified or approved by Lessees and Royalty Owners owning the required percentage interest in and to the Unit Area to make the same effective, nor more than six (6) months after the time when said order shall become final. The time when the Unit takes over the operation and further development of the Unit Area shall be the effective date of this Plan of Unitization.

25.4 Nonapproval of Plan of Unitization by Commission. In the event an order of the Commission approving this Plan of Unitization, and finding that it has been signed, ratified or approved by Lessees and Royalty Owners owning the required percentage interest in and to the Unit Area to make the same effective, has not been entered prior to June 1, 1963, 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 Unit Participation of at least eighty percent (80%) and Lessees owning a combined Unit Participation of at least eighty percent (80%) of that Unit Participation committed to this Plan of Unitization have decided to extend said termination date for a period not to exceed six 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. For the purpose of this section, ownership shall be computed on the basis of Unit Participation.

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 cost and

expense 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, in proportion as the Unit Participation of each such Lessee bears to the total Unit Participation of all such Lessees. 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 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 any 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 Right to Take Over Abandoned Wells. If the Operating Committee decides to abandon a well or well completion in the Unitized Formation prior to termination of the Plan of Unitization, the following provisions shall govern:

26.1.1 If the completion to be abandoned is in a well dually completed in the underlying Sims formation, Unit Operator shall, in a manner approved by the party or parties responsible for operations in such other formation, seal off the completion in the Unitized Formation and salvage for the joint account equipment in the well belonging to the Unit.

26.1.2 If a well to be abandoned is completed only in the Unitized Formation or is dually completed in a formation other than the underlying Sims formation, Unit Operator shall give notice of such proposed abandonment to the following listed parties as applicable who shall have the right to an option for a period of forty-five (45) days after receipt of such notice to notify Unit Operator of their election to take over such well in order to produce same from a formation other than the Unitized Formation:

- (a) If a dually completed well, the person or persons responsible for operations in the formation other than the Unitized Formation.
- (b) If a single completion, the Lessees of the Separately Owned Tract on which such well is located.

The party electing to take over said well shall, within fifteen (15) days after so notifying Unit Operator, pay to Unit Operator for credit to the joint account of the Unit, the amount estimated and fixed by the Operating Committee to be the net salvage value of the casing and equipment belonging to the Unit in and on said well. At the same time, the party electing to take over said well shall agree by letter addressed to Unit Operator to effectively seal off and protect the Unitized Formation, and at such time as the well is ready for abandonment, to plug and abandon the well in a workmanlike manner in accordance with applicable laws.

26.2 Plugging. In the event none of the parties listed in Section 26.1.2 elect to take over a well proposed for abandonment, Unit Operator shall plug and abandon the well in accordance with applicable laws.

ARTICLE 27

TERM

27.1 Term. The term of this Plan of Unitization shall be for and during the time that Unit Production is produced in paying quantities and as long thereafter as drilling, reworking or other operations are prosecuted without cessation of more than ninety (90) consecutive days, unless sooner terminated by the Operating Committee in the manner hereinafter provided.

27.2 Termination by Operating Committee. This Plan of Unitization may be terminated by the Operating Committee whenever such Committee determines that unit operations are no longer profitable, feasible or in the interest of conservation.

27.3 Effect of Termination. Upon termination of this Plan of Unitization, the further development and operation of the Unit Area as a Unit shall be abandoned, unit operations shall cease, and all Oil and Gas Rights in and to the several Separately Owned Tracts shall no longer be affected by this Plan of Unitization.

27.4 Filing of Notice of Abandonment. At such time as the Plan of Unitization is terminated, further development and operation of the Unit Area as a Unit is abandoned and unit operations cease, the Unit Operator shall submit for filing a declaration to that effect with the Secretary of the Commission and with the County Clerk of Stephens County, Oklahoma, whereupon the rights, powers and duties of the Unit shall be at an end, provided, however, that if any liability or obligation incurred prior thereto shall accrue and become payable thereafter, the amount thereof shall be borne and paid as a Unit expense in the same manner as if it had accrued prior to abandonment of the Unit.

27.5 Salvaging Equipment Upon Termination. If not otherwise covered by the leases unitized under this Plan of Unitization, Royalty Owners hereby

PLAN OF UNITIZATION

East Velma West Block Humphreys Sand Unit
East Velma Field
Stephens County, Oklahoma

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grant Lessees a period of six (6) months after termination of this Plan of Unitization and abandonment of unit operations, in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

ARTICLE 28

ABANDONMENT OF OPERATIONS

28.1 Termination. Upon termination of this Plan of Unitization and abandonment of unit operations, the following will occur:

28.1.1 Right to Operate. With respect to any well or well completion operated by the Unit, the following provisions shall apply:

28.1.1.1 For those well completions operated by the Unit which are in wells dually completed in the underlying Sims formation, Unit Operator shall, in a manner approved by the party or parties responsible for operations in such other formation, seal off such completions and salvage for the joint account equipment belonging to the Unit in such wells.

28.1.1.2 For any well which is completed only in the formation defined as the Unitized Formation or is dually completed in a formation other than the underlying Sims formation, the following parties as applicable shall have the right to take over said well:

- (a) If a dually completed well, the person or persons responsible for operations in the formation other than that defined as the Unitized Formation.
- (b) If a single completion, the Lessees of the Separately Owned Tract on which such well is located.

The party electing to take over the well shall pay to Unit Operator, for credit to the joint account, the amount as estimated and fixed by the Operating Committee to be the net salvage value of the casing and equipment belonging to the Unit in and on the well. Any party taking over a well other than the Lessee of the Separately Owned Tract on which said well is located, shall agree by letter addressed to Unit Operator to effectively seal off and protect the formation herein defined as the Unitized Formation. Any party electing to take over a well shall agree by letter addressed to Unit Operator to properly plug the well at such time as it is abandoned.

28.1.2 Salvaging Wells. With respect to all wells not taken over by one of the above listed parties, Unit Operator shall salvage as much of the casing and equipment in or on such wells as can economically and reasonably be salvaged and shall cause the same to be properly plugged and abandoned.

28.1.3 Salvaging and Distribution of Assets. The salvaging, liquidation or other distribution of assets and properties held by the Unit shall be in a manner determined by the Operating Committee; provided any Lessee desiring to take its share of the physical assets or any portion thereof in kind shall have the right to do so.

28.1.4 Cost of Salvaging. Lessees shall share the cost of salvaging, liquidation or other distribution of assets and properties used in the development and operation of the Unit Area in proportion to their respective Unit Participations.

ARTICLE 29

AMENDMENT TO PLAN OF UNITIZATION
AND ENLARGEMENT OF UNIT

29.1 Amendment and Enlargement. Any amendment of this Plan of Unitization or any enlargements of the Unit Area shall be in accordance with the provisions of Section 287.10, Title 52, O.S. 1951, or any amendment thereto.

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 interests to execute this Plan of Unitization in both capacities in order to commit both classes of interests. 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.

DATE _____

AMERADA PETROLEUM CORPORATION

ATTEST:

By _____

Its _____

Secretary

DATE _____

ATTEST:

Secretary

GULF OIL CORPORATION

By _____

Its _____

DATE _____

ATTEST:

Secretary

PAN AMERICAN PETROLEUM CORPORATION

By _____

Its _____

DATE _____

ATTEST:

Secretary

SINCLAIR OIL & GAS COMPANY

By _____

Its _____

DATE _____

ATTEST:

Secretary

SUN OIL COMPANY

By _____

Its _____

DATE _____

ATTEST:

Secretary

By _____

Its _____

DATE _____

ATTEST:

Secretary

By _____

Its _____

DATE _____

DATE _____

DATE _____

DATE _____

DATE _____

DATE _____

DATE _____

DATE _____

DATE _____

STATE OF _____)
COUNTY OF _____) SS

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument as _____ President of AMERADA PETROLEUM CORPORATION, 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 such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

_____ Notary Public

STATE OF _____)
COUNTY OF _____) SS

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument as _____ President of GULF OIL CORPORATION, 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 such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

_____ Notary Public

STATE OF _____)
COUNTY OF _____) SS

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me know to be the identical person who executed the within and foregoing instrument as Attorney in Fact of PAN AMERICAN PETROLEUM CORPORATION, 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 such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____) SS

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument as _____ President of SINCLAIR OIL & GAS COMPANY, 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 such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of his free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of his free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of his free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of h__ free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of h__ free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19__, personally appeared _____ to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same of h__ free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

EXHIBIT A
 ATTACHED TO PLAN OF UNITIZATION
 EAST VELMA WEST BLOCK HUMPHREYS SAND UNIT
 STEPHENS COUNTY, OKLAHOMA

Tract No.	Tract Name	Legal Description	Tract Participation %
1	Sidney	NE/4 NW/4 NE/4, S/2 NW/4 NE/4 and NE/4 SW/4 NE/4 Section 32-T1S-R4W	3.39655
2	Winans	NW/4 NW/4 NE/4 Section 32-T1S-R4W	.06079
3	Glass-Bailey	The northeasterly 9.56 acres of NE/4 NE/4 NW/4 Section 32-T1S-R4W	.12740
4	Binder	The northeasterly 3.72 acres of SE/4 NE/4 NW/4 Section 32-T1S-R4W	.10646
5	James	S/2 NE/4 NE/4 and SE/4 NE/4 Section 32-T1S-R4W	7.48132
6	Frank	SW/4 NW/4 NW/4 and W/2 SW/4 NW/4 Section 33-T1S-R4W	4.06104
7	Cox	E/2 SW/4 NW/4 and N/2 NW/4 SW/4 Section 33-T1S-R4W	4.23808
8	R. L. Freeman	NW/4 SE/4 NW/4 and E/2 SE/4 NW/4 Section 33-T1S-R4W	1.52690
9	A. S. Moore	N/2 N/2 SE/4, S/2 SW/4 NE/4 and SW/4 SE/4 NE/4 Section 33-T1S-R4W	6.98821
10	S. Miller	NW/4 NW/4 SW/4 Section 34-T1S-R4W	.07216
11	Armstrong-Elmore Unit	SE/4 NW/4 SW/4 Section 34-T1S-R4W	.56428
12	Newman-Armstrong Unit	SW/4 NW/4 SW/4 Section 34-T1S-R4W	2.52780
13	F. L. Newman	SE/4 NE/4 SE/4 and E/2 SE/4 SE/4 Section 33-T1S-R4W	4.63186

Tract No.	Tract Name	Legal Description	Tract Participation %
14	Haines	SW/4 SE/4 NW/4, NE/4 SW/4, S/2 NW/4 SE/4, SW/4 NE/4 SE/4, NW/4 SE/4 SE/4 and NE/4 SW/4 SE/4 Section 33-T1S-R4W	9.07364
15	Newman Unit	NW/4 SW/4 SW/4 Section 34-T1S-R4W	2.44092
16	Miller Unit	NE/4 SW/4 SW/4 Section 34-T1S-R4W	1.94588
17	Moore-Manire Unit	NW/4 SE/4 SW/4 Section 34-T1S-R4W	1.74690
18	W. I. Moore "A"	NE/4 SE/4 SW/4, S/2 SE/4 SW/4 and SW/4 SW/4 SE/4 Section 34-T1S-R4W	4.97559
19	Unleased	SE/4 SW/4 SE/4 Section 34-T1S-R4W	.16121
20	Moore Unit	SE/4 SW/4 SW/4 Section 34-T1S-R4W	2.25855
21	Newman Unit "C"	SW/4 SW/4 SW/4 Section 34-T1S-R4W	.90055
22	Union Grade School	NE/4 NW/4 NW/4 Section 3-T2S-R4W	.23153
23	Andrew Moore	NE/4 NW/4 Section 3-T2S-R4W	4.65676
24	Robison	W/2 NW/4 NE/4, NW/4 SW/4 NE/4 and NE/4 NE/4 SE/4 Section 3-T2S-R4W	5.69810
25	Arnett	E/2 W/2 NE/4, W/2 NE/4 NE/4, and NW/4 SE/4 NE/4 Section 3-T2S-R4W	13.75385
26	C. A. Miller	E/2 E/2 NE/4 and SW/4 SE/4 NE/4 Section 3-T2S-R4W	10.68356
27	Unleased	The southwesterly 3.52 acres of SW/4 NW/4 NW/4 Section 2-T2S-R4W	.21691
28	Avis Armstrong	The southwesterly 6.74 acres of NW/4 SW/4 NW/4, the southwesterly 9.41 acres of SW/4 SW/4 NW/4 and the southwesterly .35 acres of SE/4 SW/4 NW/4 Section 2-T2S-R4W	4.72493

Tract No.	Tract Name	Legal Description	Tract Participation %
29	V. Banks	NW/4 NW/4 SW/4 and the southwesterly 2.85 acres of NE/4 NW/4 SW/4 Section 2-T2S-R4W	.74827
			<u>100.00000</u>

732

29

R. 4 W.

T. 1 S.

35

32

33

34

- 34 -

T. 2 S.

5

4

3

2

LEGEND

① Tract Number

----- Unit Boundary

H W W

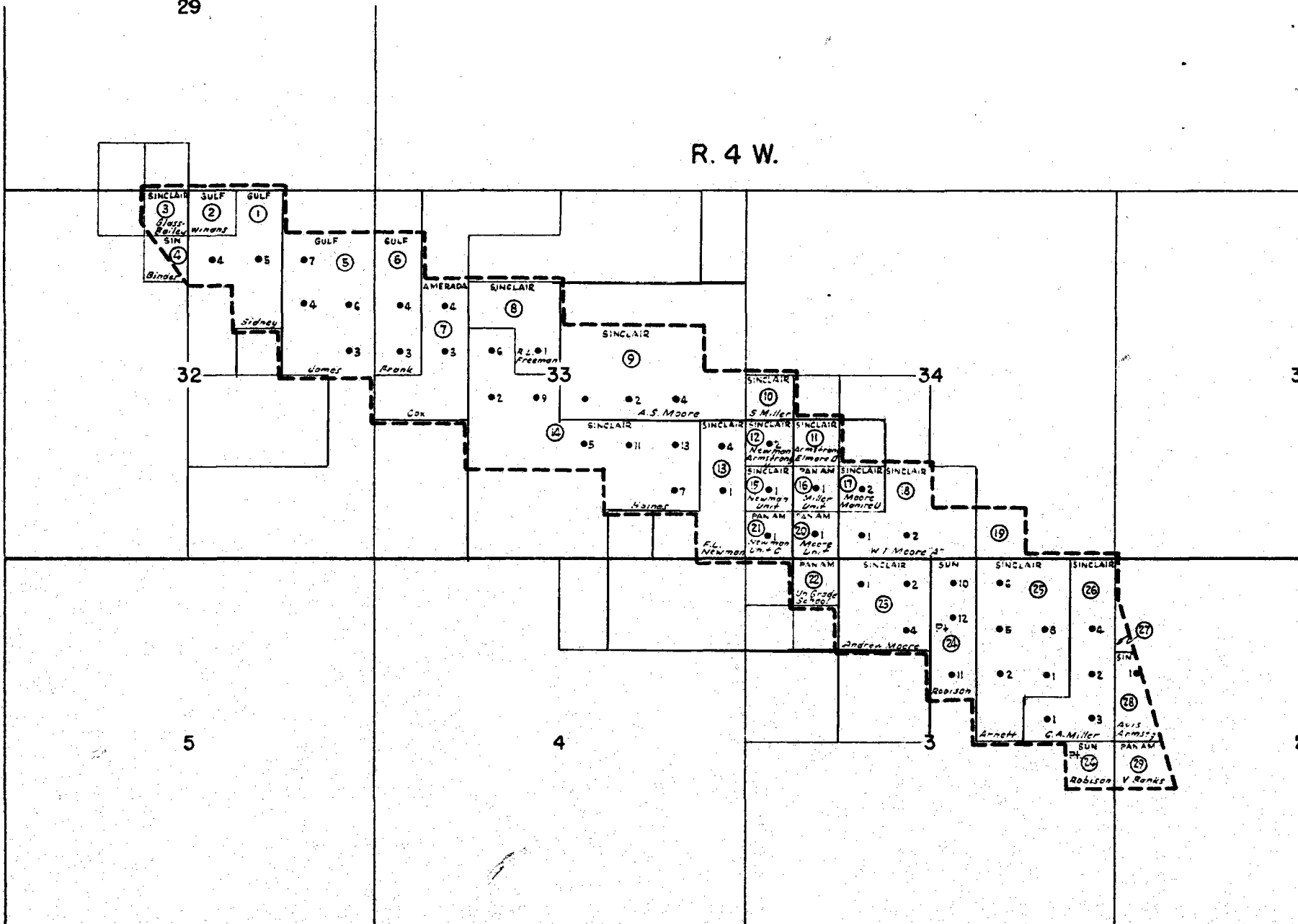
EXHIBIT B

ATTACHED TO

PLAN OF UNITIZATION

**EAST VELMA WEST BLOCK HUMPHREYS SAND UNIT
STEPHENS COUNTY, OKLAHOMA**

2253



Attached to and made a part of Plan of Unitization for
East Velma West Block Humphreys Sand Unit
East Velma Field
Stephens County, Oklahoma

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges 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. Statements as follows:

(1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;

(2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

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

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator 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 Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. 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, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. 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. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.

B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

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 that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of 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, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or 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 such material is available, except by special agreement with Non-Operator.

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 from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries 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 Oklahoma City Area office located at or near Oklahoma City, Oklahoma (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

Well Depth	PRODUCING WELL RATE (Use Completion Depth)			
	DRILLING WELL RATE Each Well	First Five	Next Five	All Wells Over Ten
All Depths	\$200.00	\$20.00	\$20.00	\$20.00

A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

- B. In connection with overhead charges, the status of wells shall be as follows:
- (1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
 - (2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
 - (3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

- (4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
 - (5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.
 - (6) 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 overhead schedule; unless their inclusion is approved by the Operating Committee~~
 - (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
 - (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.
- D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.
- E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

No charge either direct or indirect, will be made to the joint account for operating or maintenance expense of operators' fully owned warehouse.

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

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

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A") (Including Sales Tax)

- (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on car-load basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C") (Excluding Sales Tax)

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III 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 materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

- B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should 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 account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to 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-Operator

Material purchased by either the Operator or Non-Operator 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-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear 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 claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, 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 property as secondhand at seventy-five per cent (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. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
- B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (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 account does not justify the reduction in price as provided in Paragraph 3 B, above, 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.

VI. INVENTORIES

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 by operators of oil and gas properties.

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-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

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, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

EXHIBIT D

INSURANCE PROVISIONS

ATTACHED TO AND MADE A PART OF
PLAN OF UNITIZATION - EAST VELMA WEST BLOCK HUMPHREYS SAND UNIT
EAST VELMA FIELD, STEPHENS COUNTY, OKLAHOMA

Unit Operator shall carry the following insurance with respect to operations on all lands subject to this Plan of Unitization:

- (1) Comprehensive General Liability Insurance with minimum limits of \$100,000.00 for injuries to one person and \$500,000.00 for any one accident, and property damage insurance in amounts of \$100,000.00 each accident and \$250,000.00 aggregate.
- (2) Automobile Public Liability and Property Damage Insurance with minimum limits of \$100,000.00 for injuries to one person, \$300,000.00 for injuries in any one accident, and \$10,000.00 property damage.
- (3) Such additional insurance as may be required by the Operating Committee.

All insurance coverage required hereby shall be carried at the joint expense and for the benefit of the parties hereto, except for premiums for Automobile Public Liability and Property Damage Insurance on Unit Operator's fully owned equipment, which shall not be charged directly to the joint account, but will, instead, be covered by the flat rate charges assessed the Unit for the use of such equipment. Unit Operator will not carry fire, windstorm or explosion insurance covering operations hereunder. Unit Operator shall require its contractors and subcontractors working and performing services on lands committed hereto to comply with the workmen's compensation laws of the State of Oklahoma and to carry such other insurance and in such amounts as Unit Operator shall deem necessary.

RATIFICATION OF PLAN OF UNITIZATION
EAST VELMA WEST BLOCK HUMPHREYS SAND UNIT
STEPHENS COUNTY, OKLAHOMA

EJH
9/15

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned hereby acknowledges receipt of a true and correct copy of that certain Plan of Unitization entitled "Plan of Unitization, East Velma West Block Humphreys Sand Unit, Stephens County, Oklahoma"; and,

WHEREAS, Exhibit A, attached to and made a part of said Plan of Unitization, identifies the separately owned tracts which will become a part of the East Velma West Block Humphreys Sand Unit if said Plan of Unitization is duly approved by the Corporation Commission of the State of Oklahoma; and,

WHEREAS, each of the undersigned represents that it is the owner of a royalty interest or interests, as that term is defined in said Plan of Unitization, in one or more of the tracts identified by said Exhibit; and,

WHEREAS, each of the undersigned, being familiar with the contents thereof, desires to ratify, approve and confirm said Plan of Unitization;

NOW, THEREFORE, each of the undersigned does hereby ratify, approve and confirm said Plan of Unitization with respect to all of its royalty interests in all of the separately owned tracts identified by said Exhibit.

IN WITNESS WHEREOF, each of the undersigned royalty owners of record has executed this instrument, which is a counterpart of the Ratification of the Plan of Unitization for the East Velma West Block Humphreys Sand Unit, Stephens County, Oklahoma, on the date set forth below opposite its signature.

Date: January 3, 1962

Elsie Skaggs

Date: _____

Date: _____

Date: _____

Date: _____

ATTEST:

Secretary

By _____

President

STATE OF Oklahoma)
COUNTY OF Carter)

INDIVIDUAL ACKNOWLEDGMENT

Before me, the undersigned, a Notary Public within and for said County and State, on this 3 day of Jan., 1962, personally appeared Elate Shaggs, to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

12-22-1964


Earl E. LeVally, Notary Public

STATE OF _____)
COUNTY OF _____)

INDIVIDUAL ACKNOWLEDGMENT

Before me, the undersigned, a Notary Public within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My commission expires:

Notary Public

STATE OF _____)
COUNTY OF _____)

CORPORATION ACKNOWLEDGEMENT

Before me, the undersigned, a Notary Public in and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who subscribed the name of _____ to the 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 such corporation, for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My commission expires:

Notary Public