

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Jay Scott Emler, Chair
Shari Feist Albrecht
Pat Apple

In the Matter of the Application of UNIT)	Docket No. 17-CONS <u>3012</u> -CUNI
PETROLEUM COMPANY for an Order)	
Approving the Unitization and Unit Operations)	License No. 33596
of the Langdon Waterflood Unit in Reno County,)	
Kansas)	
_____)	Conservation Division

APPLICATION

Unit Petroleum Company ("Unit Petroleum") submits this Application for an Order Approving the Unitization and Unit Operation of the Langdon Waterflood Unit in Reno County, Kansas. In support of its Application, Unit Petroleum alleges and states:

1. Unit Petroleum Company is an Oklahoma corporation and is duly authorized to do business in Kansas. Unit Petroleum's business address is 8200 South Unit Drive, Tulsa, Oklahoma 74132-5300. The State Corporation Commission for the State of Kansas (the "Commission") has issued Unit Petroleum operator's license #33596, which is in full force and effect.

2. Unit Petroleum owns and operates oil and gas leases in Reno County, Kansas, covering the area proposed to be unitized as the Langdon Waterflood Unit, including the producing oil and gas wells on such leases, except for Tract 20 which is likely unleased.

3. The Langdon Waterflood Unit is comprised of the following lands in Reno County, Kansas:

Township 25 South, Range 9 West
Section 15: W/2
Section 16: All

Section 17: E/2
Section 20: N/2
Section 21: N/2; SE/4
Section 22: W/2

(the "Unit Area"), totaling approximately 2,400 acres, more or less, as depicted on the plat that is Exhibit "B" to the Plan of Unitization.

4. Unit Petroleum proposes to unitize leasehold interests and operations pursuant to K.S.A. § 55-1304(a)(1) for the purpose of initiating an enhanced oil recovery project in the Mississippi Lime formation underlying the Unit Area. The enhanced oil recovery project will be implemented pursuant to the development plan described in the Plan of Unitization a copy of which is attached hereto as Exhibit A and incorporated herein by reference. The project described in the Plan of Unitization involves injecting water, gas or other fluids, or any combination thereof, in the Mississippi Lime formation in order to efficiently and economically increase the recovery of hydrocarbon reserves from the Unit Area. Hydrocarbons produced from the Unit Area will be allocated to the tracts in the unit on a weighted basis in the percentages set forth in Exhibit A to the Plan of Unitization across the twenty (20) tracts that are depicted on Exhibit B hereto to the Plan of Unitization.

5. Unit Petroleum will be the operator of the Langdon Waterflood Unit. The operating plan describing the manner in which the unit will be supervised and managed, and the costs will be allocated and paid is set forth in the Plan of Unitization.

6. The formation to be unitized is the geological interval within the Unit Area described as the Mississippi Lime formation, such interval being identified from 3,846' to 3,936'.in the electrical surveys of the Maxwell "A" #2 well located in the center of the NW/4 SE/4 of Section 16, Township 25 South, Range 9 West, Reno County, Kansas, or the stratigraphic equivalent thereof.

7. The primary production from the Mississippi Lime formation in the Unit Area has reached a low economic level and, without the introduction of artificial energy, abandonment of producing wells is imminent.

8. The value of the estimated additional recovery of the hydrocarbons from the Mississippi Lime formation resulting from the planned operations substantially exceeds the estimated additional cost incident to conducting the planned enhanced oil recovery operations.

9. The terms of the Plan of Unitization are fair and equitable to all interest owners.

10. As required by K.S.A. § 55-1305, the Plan of Unitization will be approved in writing by at least 63% of the persons required to pay the costs of the unit operations, and by the owners of at least 63% of the production or proceeds that will be credited to royalties, excluding overriding royalties or other like interests which are carved out of the leasehold estate. Unit Petroleum owns 100% of the working interest in the oil and gas leases covering the Unit Area.

11. Attached hereto as Exhibit B is a list of the names and addresses of all royalty owners and the one unleased mineral owner in the Unit Area whose names and addresses Unit Petroleum has been able to determine after diligent search and inquiry.

12. Unit Petroleum has sent by regular mail a copy of this Application and the Notice of Application to each operator or lessee and each unleased mineral owner within one-half (1/2) mile of the Unit Area, and is causing the Notice of Application to be published in both The Wichita Eagle newspaper and The Hutchinson News newspaper in Reno County, Kansas.

13. Unit Petroleum requests that after proper notice and hearing, if required by applicable law, rules and regulations, the Commission issue an Order providing for the unitization and unit operation of the Langdon Waterflood Unit pursuant to K.S.A. § 55-1301, *et seq.*

WHEREFORE, Unit Petroleum Company ("Unit Petroleum") prays that this Application be docketed by the Commission and that if no written protest is received by the Commission within fifteen (15) days after Notice of the Application is published and has been duly provided to all interested parties, the Commission administratively grant this Application and issue an Order providing for the Unitization and Unit Operation of the Langdon Waterflood Unit comprised of the above-described lands and pursuant to the Plan of Unitization. In the event a timely and proper protest is filed, Unit Petroleum requests that the Commission set this Application for hearing and, upon such hearing, grant the requested order and provide for such other and further relief as the Commission deems necessary and proper.



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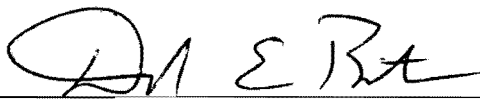
Attorneys for Unit Petroleum Company

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)


David E. Bengtson, of lawful age, being first duly sworn upon oath states:

That he is the attorney for the Applicant named in the foregoing Application and is duly authorized to make this verification; that he has read the foregoing Application and knows the contents thereof and that the facts set forth therein are true and correct to the best of his information and belief.



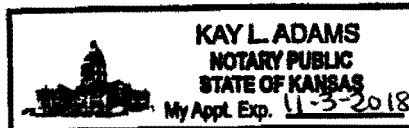
David E. Bengtson

SUBSCRIBED AND SWORN to before me this 25th day of July, 2016.



Notary Public

My Appointment Expires:
11/3/2018

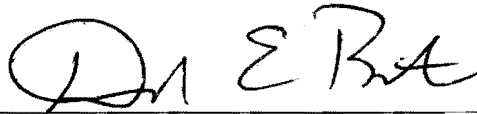


AFFIDAVIT

STATE OF KANSAS)
) ss:
COUNTY OF SEDGWICK)


David E. Bengtson, of lawful age, being first duly sworn upon his oath, deposes and states:

That on July 26, 2016, a true and correct copy of the Notice of Application and this Application were mailed to all interested parties as set out in the Application on file in this docket, by depositing the same in the United States mail, postage prepaid.



David E. Bengtson

SUBSCRIBED AND SWORN to before me this 25th day of July, 2016.


Notary Public

My Appointment Expires:
11/3/2018

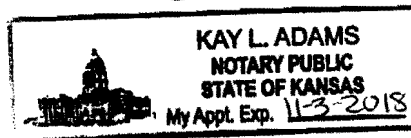


EXHIBIT A

PLAN OF UNITIZATION LANGDON WATERFLOOD UNIT RENO COUNTY, KANSAS

PLAN OF UNITIZATION
LANGDON WATERFLOOD UNIT
RENO COUNTY, KANSAS

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Exhibit "B"	Unit Plat
Exhibit "C"	Accounting Procedures
Exhibit "D"	Insurance
Exhibit "E"	Pre-Unitization Expenses
Exhibit "F"	Oil and Gas Lease

PLAN OF UNITIZATION
LANGDON WATERFLOOD
RENO COUNTY, KANSAS

The following shall constitute the Plan of Unitization applicable to the Langdon Waterflood Unit in Reno County, Kansas, having for its purpose the unitized management, operation, and further development of the Unitized Formation as herein defined, all to the end that a greater ultimate recovery of oil and gas may be had therefrom, waste prevented and the correlative rights of the respective owners protected.

ARTICLE 1
DEFINITIONS

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

1.1 Bank of Oklahoma Prime Rate: Shall mean that annual rate of interest from time to time established by Bank of Oklahoma ("BOK") of Tulsa, OK (or any successor with which it or its successor or successors may become merged or consolidated) as its "Prime Rate of Interest". If BOK shall cease to quote or establish an annual rate of interest denominated by it as its Prime Rate of Interest but shall establish and/or quote one or more other annual rates of interest under other terms or denominations for the purpose of pricing commercial loans made by it, the "BOK Prime Rate" shall mean that annual rate of interest established or quoted by BOK which in the Unit Operator's good faith opinion shall be most nearly equivalent to the BOK Prime Rate. The BOK Prime Rate is not necessarily the lowest rate of interest charged by BOK for high-grade commercial loans. Each change in such rate of interest shall be effective as of the date established and announced by BOK.

1.2 Commission: Shall mean the Corporation Commission of the State of Kansas.

1.3 Effective Date: Shall mean the time when the Unit takes over and commences Unit Operations.

1.4 "Lessee" and "Working Interest Owner(s)": Are interchangeable and shall mean an owner of an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, force pooling or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. The owner of Oil and Gas Rights that are free of lease or other instrument conveying the working interest to another (an unleased mineral owner) shall be regarded as a Lessee to the extent of 7/8 of its interest in Unitized Substances and as a Royalty Owner with respect to its remaining 1/8th interest therein. (See Article 5.8). A royalty interest created out of a working interest subsequent to the Effective Date hereof shall continue to be subject to such Working Interest Owner(s) burdens and obligations that are stated in this Plan.

1.5 Oil and Gas Rights: Shall mean the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances or to share in the production so obtained or the proceeds thereof.

1.6 Operating Committee: Shall mean the Committee as constituted under Article 12 of this Plan of Unitization.

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

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

1.9 Plan: Shall mean this Plan of Unitization for the Langdon Waterflood Unit, Reno County, Kansas

1.10 Pre-Unitization Expense: Shall include, but not be limited to, those items listed on Exhibit "E" attached hereto and incorporated herein by reference.

1.11 Prior Non-Participating Lessee: Shall mean a Lessee who elected not to participate in the drilling or subsequent operations with respect to a well located as of the Effective Date in a Tract in the Unit through farming-out or going non-consent under the pertinent joint operating agreement or otherwise pursuant to an agreement preceding this Plan of Unitization. The Prior Non-Participating Lessee's right to receive production from such Tract is, for that reason, currently subordinate to other Lessees in such Tract until recovery of non-consent penalties or occurrence of a reversion as provided in the applicable agreement governing that Tract. A Prior Non-Participating Lessee shall be treated the same as any other Lessee except as otherwise provided in this Plan of Unitization.

1.12 Royalty Owner: Shall mean an owner of an interest in any portion of the Unitized Substances or proceeds thereof other than that of a Lessee.

1.13 Tract: Shall mean each of the separately owned Tracts of land within the Unit Area, which are described in Exhibit "A" and are outlined and designated by number on Exhibit "B".

1.14 Tract Participation: Shall mean the percentage shown on Exhibit "A" for allocating Unitized Substances to a Tract under this Plan of Unitization.

1.15 Unit: Shall mean the Langdon Waterflood Unit.

1.16 Unit Area: Shall mean the land described by Tracts in Exhibit "A" and shown on Exhibit "B" as to which this Plan becomes effective or to which it may be extended as herein provided.

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

1.18 Unit Expense: Shall mean all cost, expense or indebtedness incurred by the Unit or Unit Operator pursuant to this Plan of Unitization as further defined in Article 18.1 herein.

1.19 Unitized Formation: Unit Operator seeks to unitize the geological interval within the Unit Area described as the Mississippi Lime formation, such interval being identified from 3,846' to 3,936' in the electrical surveys of the Maxwell 'A' #2 well, which is located in the Center of The Northwest Quarter of the Southeast Quarter of Section 16, Township 25 South, Range 9 West, Reno County, Kansas or the stratigraphic equivalent thereof (hereinafter referred to as the "Unitized Interval").

1.20 Unitized Substances: Shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent substances other than Outside Substances, as defined in Article 1.7 herein, within or produced from the Unitized Formation. Oil and gas means not only oil and gas as such, in combination one with the other, but means oil, gas, casinghead gas, casinghead gasoline, condensate or other hydrocarbons or associated minerals or any combination thereof.

1.21 Unit Operations: Shall mean all operations conducted by the Lessees or Unit Operator pursuant to this Plan of Unitization for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

1.22 Unit Operator: Shall mean the Lessee designated by this Plan or by the Lessees to carry on and conduct Unit Operations, acting as Operator and not as a Lessee. (See Article 13 herein).

1.23 Unit Participation: Shall mean for each Lessee the sum of the percentages obtained by multiplying the working interest of such Lessee in each Tract by the Tract Participation of each Tract.

1.24 Phase: Shall mean the period of time in which certain Tract Participations are in effect as defined in Exhibit "A".

ARTICLE 2 EXHIBITS

2.1 Exhibits: Attached hereto are the following Exhibits, which are incorporated herein by reference:

- 2.1.1 Exhibit "A" is a schedule that describes each Tract in the Unit Area and shows the Tract Participation Factor
- 2.1.2 Exhibit "B" is a map that shows the boundary lines of the Unit Area and the Tracts therein.
- 2.1.3 Exhibit "C" is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Plan of Unitization and Exhibit "C" this Plan of Unitization shall prevail.
- 2.1.4 Exhibit "D" is a summary of the insurance provisions applicable to Unit Operations.
- 2.1.5 Exhibit "E" is an outline of categories of Pre-Unitization Expenses for the formation of the Unit.
- 2.1.6 Exhibit "F" is a form of oil and gas lease for the purposes of Articles 18.4 and 27.1.

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

2.3 Filing Revised Exhibits: If an Exhibit is revised, Unit Operator shall execute an appropriate instrument with the revised Exhibit attached and file the same for record in the county or counties in which this Plan is filed.

ARTICLE 3 CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized: Subject to the provisions of this Plan of Unitization, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit "A", and all Oil and Gas Rights of Lessees in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as Lessors, in favor of all Lessees, and as if the lease had been subject to all the provisions of this Plan of Unitization.

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

3.3 Amendment of Leases and Other Plans: The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tract or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Plan of Unitization, but otherwise shall remain in effect. In the event of a conflict between the terms of the leases and the terms of this Unit Agreement, the provisions in this Unit Agreement shall control and be binding.

3.4 Continuation of Leases and Term Royalties: Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation shall be considered, except for the purpose of determining payments to the Royalty Owners, as like

operations upon or production from each Tract, and such operations or production shall constitute full compliance with and continue in effect any lease, term royalty, mineral interest or other agreement as to all lands covered thereby just as if such operations had been conducted on or a well had been drilled on and was producing from every Tract within the Unit.

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

3.6 Injection Rights: Royalty Owners hereby grant Lessees the right to inject into the Unitized Formation any substances in whatever amount the Operating Committee deems expedient for Unit Operations, including the right to drill, use, and maintain injection wells on the Unit Area and to use for injection purposes any non-producing or abandoned wells or dry holes, or any producing wells completed in the Unitized Formation.

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

3.8 Ratification and Extension of Leases: Each Royalty Owner acknowledges the validity of and confirms all of the terms and provisions of each lease covering land, in whole or in part, within the Unit Area under which said Royalty Owner owns a Royalty Interest, as to all minerals in and under all land covered thereby, and it is expressly agreed and understood that each such lease is now in full force and effect and shall, as to all of said minerals, continue in force and effect from the date of execution hereof by each such Royalty Owner until the Effective Date and thereafter in accordance with the respective terms and provisions of each lease and of this Plan of Unitization. In consideration of the benefits being received, each Royalty Owner does hereby confirm, grant, lease and let its interest under the terms of each said lease unto the current owning lessees for each said lease and does hereby adopt, ratify, and confirm each lease covering land in whole or in part within the Unit Area under which said Royalty Owner owns a mineral or Royalty Interest, as to all minerals in and under all land covered thereby.

3.10 Continuous Operations: If all production (whether or not in paying quantities) permanently ceases from any cause (other than an event of force majeure), then the leases shall not terminate and shall remain in force if Unit Operator commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the Unit Area within 180 days after such cessation of all production, and the leases shall remain in force so long as such operations are prosecuted with no cessation of more than 120 consecutive days and, if they result in the production of oil, gas, or other minerals, for so long thereafter as oil, gas or other minerals are produced from the Unit Area.

ARTICLE 4 PLAN OF OPERATION

4.1 Operating Methods: To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented and correlative rights protected, the Unit Operator, under direction of the Operating Committee, shall with diligence and in accordance with good engineering and production practices, and in accordance with accepted industry standards, engage in secondary or other methods of enhanced recovery operations calculated to substantially increase the ultimate recovery of oil and gas from the Unitized Formation.

4.2 Change of Operating Methods: Nothing herein shall prevent the Operating Committee from discontinuing or changing in whole or in part any method of operation which, in its opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by the Operating Committee from time to time if determined by it to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5 ALLOCATION OF UNITIZED SUBSTANCES

5.1 Tract Participation: The Tract participation of each Tract is shown on Exhibit "A".

5.2 Allocation to Tracts: All Unitized Substances that are produced, except those used in Unit Operations or unavoidably lost shall be allocated to the several Tracts in accordance with the respective Tract Participations. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any on such Tract, shall be deemed for all purposes to have been produced from such Tract.

5.3 Distribution Within Tracts: The Unitized Substances allocated to each Tract shall be distributed among, or accounted for, to the Persons entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Plan of Unitization not been adopted, and with the same legal effect. If any Oil and Gas Rights in a Tract are or become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Unitized Substances attributable to the interest of a Prior Non-Participating Lessee in any Tract shall be distributed to the Lessees in such Tract which are entitled to the production attributable to the interest of such Prior Non-Participating Lessee in such Tract until recovery of all non-consent penalties or until the occurrence of a reversion to the Prior Non-Participating Lessee pursuant to the applicable agreement relating to such Tract.

5.4 Taking Unitized Substances in Kind: The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Persons entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such Persons, or the purchasers of the Unitized Substances, shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving person. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Lessee of such Royalty Owner shall be entitled to take in kind such share of the Unitized Substances.

5.5 Failure to Take in Kind: If any person fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, but not the obligation, and subject to revocation at will by either the Unit Operator or the person owning the share, to purchase for its own account or sell to others such share. The proceeds from the sale of the Unitized Substances so disposed of by Unit Operator shall be paid to the Lessees of each affected Tract, or a Person designated by such Lessee who shall distribute such proceeds to the Persons entitled thereto. Prior to any Unit Area interest owner choosing to not take in kind, forty-five (45) days written notice must be provided to the Unit Operator.

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

5.6.1 Require that the Person to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such Person fails in whole or in part; or

5.6.2 Withhold and make a good faith effort to market the portion of the Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of the Operating Committee, whereupon the proceeds so impounded shall be paid to the Person rightfully entitled thereto. The Unit Operator shall incur no liability for the disposition of such portion of the Unitized Substances except payment of the proceeds therefrom, if any, and the Unit Operator is authorized to deduct from such proceeds, or that portion of the Unitized

Substances that may be withheld, any amounts necessary to reimburse the Unit Operator for charges incurred in the marketing or withholding of same.

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

5.8 Royalty on Outside Substances: No payment shall be due or payable to Royalty Owners on any Outside Substances.

5.8.1 If any Outside Substances consisting of natural gases or other materials, whether gaseous or liquid, are injected into the Unitized Formation, seventy-five percent (75%) of any like substances contained in Unitized Substances, subsequently produced and sold or used for other than operations hereunder, shall be deemed to be a part of the Outside Substances so injected until the aggregate of said seventy-five percent (75%) equals the accumulated volume of such natural gases injected into the Unitized Formation. No royalties, overriding royalties, payments out of production, or other payments shall be due or payable with respect to any substance which is classified hereby as an Outside Substance; provided, however, liquid hydrocarbons recovered and saved therefrom shall be treated and regarded as Unit Production.

5.8.2 If any Outside Substances which, prior to injection, are liquified petroleum gas or if other liquid hydrocarbons are injected into the Unitized Formation, seventy-five percent (75%) of all Unitized Substances produced and sold after the date which is one (1) year after the time the injection of such Outside Substances were commenced shall be deemed to be a part of the Outside Substances so injected until the total value of the production deemed to be such Outside Substances equal the total cost of the Outside Substances so injected. Such seventy-five percent (75%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered for natural gases as hereinabove provided, if both liquefied petroleum gas or other liquid hydrocarbons and natural gases are injected.

ARTICLE 6 USE OR LOSS OF UNITIZED SUBSTANCES

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

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

ARTICLE 7 TITLES

7.1 Title Information: The Lessees of a Tract shall furnish and make available to the Unit Operator the most recent title opinion and supporting documents, which may or may not include updated abstracts of title, together with all other title information in the possession of such Lessees, affecting their title and that of their Royalty Owners to the Oil and Gas Rights in and to such Tract.

7.2 Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this Plan of Unitization, nevertheless, shall continue in force as to all remaining oil and gas leases and interests; and

a) The Lessee whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other Lessees any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other Lessees hereto from drilling, development, operating or other similar costs by reason of such title failure; and

b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the Lessees shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the Lessee whose lease or interest is affected by the title failure will be thereafter be reduced in the Unit Area by the amount of the interest lost; and

c) If the proportionate interest of the other Lessees hereto in any producing well theretofore drilled on the Unit Area is increased by reason of the title failure, the Lessee whose title has failed shall receive the proceeds attributable to the increase in such interests (less cost and burdens attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

d) Should any person not a party to this Plan of Unitization, who is legally determined to be the owner of any interest in the title which has failed, pays in any manner any part of the cost of operation, development, or equipment, then such amount shall be paid to the Lessee(s) who bore the costs which are so refunded; and

e) Any liability to account to a third party for prior production of oil and gas which rises by reason of title failure shall be borne by the Lessees in the same proportions in which they shared in such prior production; and

f) No charge shall be made to the Lessees of interest for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties' hereto that each shall defend title to its interest and bear all expenses in connection therewith.

7.3 Other Losses: All losses incurred, other than those set forth in Article 7.2 above, shall be considered an individual loss and such Lessee(s) incurring such loss shall bear alone the entire loss.

ARTICLE 8 EASEMENTS OR USE OF SURFACE

8.1 Grant of Easements: The parties hereto, to the extent of their rights and interests, hereby grant to the Lessees the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area. The parties hereto further agree that the Lessees shall have the right to use so much of the surface as is reasonably necessary for the construction and operation of injection facilities, subject to the condition that parties to this Plan or any other third party shall be compensated for damages incurred to the surface of said lands by the installation of the facility (ies).

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

8.3 Use of Water: The Unit and Unit Operator shall have free use of surface or subsurface water from the Unit Area for Unit Operations, including the right to drill water supply wells; provided that, the Unit Operator shall not use water from any well, lake, pond, or irrigation ditch of a landowner without consent of the landowner. However, Unit Operator shall not use freshwater from any source for purposes of injection without the consent of the landowner and the proper state regulatory body.

ARTICLE 9 TRANSFER OF INTEREST

9.1 Agreement is a Covenant: The terms and provisions of this Plan shall extend to, be binding upon and inure to the benefit of the respective heirs, successors and assigns of the parties.

9.2 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 Tract shall be made expressly subject to this Agreement. 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.

9.3 Waiver of Rights to Partition: Each party hereto covenants that, during the existence of this Agreement, such party shall not resort to any action at law or in equity to partition the Unit Area or facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE 10 INDIVIDUAL RELATIONSHIPS AND RIGHTS

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

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

10.3 Information to Royalty Owners: Each Royalty Owner shall be entitled to receive from Unit Operator all information to which such Royalty Owner is entitled by an existing agreement.

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

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

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

10.5 Royalty Owners Free of Cost: That portion of the Unitized Substances allocated to each Tract which is due to a Royalty Owner as royalty under the provisions of an oil and gas lease shall be delivered to the credit of such owner into the lease tank battery or into the pipeline to which the said well is connected, free and clear of all costs, expenses, and risks incurred in or in connection with the drilling, testing, completing, equipping, operating, transporting, and producing of any well in this Unit covered by the Plan.

ARTICLE 11 GENERAL POWERS OF UNIT

11.1 The Unit is authorized for the account of all owners of Oil and Gas Rights within the Unit Area, without profit to the Unit, to supervise and conduct the further development and operations of the Unit Area for the production of oil and gas from the Unitized Formation.

ARTICLE 12
CREATION OF OPERATING COMMITTEE AND SUPERVISION OF UNIT OPERATIONS

12.1 Creation of Operating Committee: An Operating Committee is hereby established to consist of one (1) representative to be designated by each Lessee, provided that an individual Lessee may be a member of the Committee. Each Lessee shall, in writing, inform Unit Operator of the names and addresses of the representative and alternate, if any, who are authorized to represent and bind such Lessee with respect to Unit Operations. The information regarding the representative's address shall include, if available, the physical address, mailing address, facsimile, telex, electronic address and such other information as will allow the representative to receive notices as provided in Article 25. The representative or alternate may be changed, from time to time, by written notice to Unit Operator. In connection with representation on the Operating Committee, a Prior Non-Participating Lessee has the same rights as any other Lessee from and commencing with the time that the Prior Non-Participating Lessee elects to participate in the Unit.

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

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

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

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

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

12.4.3 Well Recompletions and Change of Status: The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

12.4.4 Expenditures: Authorization of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00), provided that approval by the Operating Committee of the drilling, workover, drilling deeper, or plugging back of any well shall include approval of all necessary expenditures required therefore, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

12.4.5 Disposition of Unit Equipment: The selling or otherwise disposing of any surplus Unit Equipment if the current list price of new equipment similar thereto is Ten Thousand Dollars (\$10,000.00) or more.

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

12.4.7 Audits: The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided that the audits shall be conducted in accordance with Exhibit "C".

12.4.8 Inventories: The taking of periodic inventories under the terms of Exhibit "C".

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

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

12.4.11 Replacement of Operator: The removal of Unit Operator and the selection of a successor. See Article 12.2 herein.

12.4.12 Investment Adjustment: The adjustment and readjustment of investments.

12.4.13 Termination of Operations: The termination of Unit Operations and the Plan of Unitization.

12.4.14 Release of Information: The release of information, photographs, or television pictures concerning operations conducted hereunder and incidents occurring in connection with operations conducted hereunder; provided, however, that drilling depths, names of formations encountered, and other information normally furnished to industry scouting or news services may be released by the Unit Operator without approval of the Operating Committee.

12.5 Meeting of Operating Committee: All meetings of the Operating Committee shall be called by the 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 seven (7) days' advance written notice, with an agenda for the meeting attached. Lessees who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting, provided any such non-agenda item(s) does not exceed Fifty Thousand Dollars (\$50,000.00) total cost. The representative of the Unit Operator shall be Chairman of each meeting. A copy of the minutes of each meeting shall be mailed to each member of the Operating Committee within a reasonable time after the meeting.

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

12.6.1 Voting Interest: Each Lessee shall have a voting interest equal to its Unit Participation

12.6.2 Vote Required - Generally: Unless otherwise provided herein, all matters, except the selection of a successor Unit Operator pursuant to Article 13.3, shall be decided by an affirmative vote of sixty-five percent (65%) or more voting interest. Upon approval of sixty-five percent (65%) of the voting interest, all Working Interest Owners and Lessees will be bound by such vote.

12.6.3 Vote at Meeting by Non-Attending Lessee: Any Lessee who is not represented at a meeting may vote by letter or telegram addressed to the representative of the Unit Operator if such vote is received by Unit Operator prior to the vote on the item.

12.6.4 Voting Without a Meeting: The Operating Committee may vote on and decide, by letter, electronic mail (email) or facsimile, any matter submitted in writing to Lessees. If a meeting is not requested, as provided in Article 12.5, within seven (7) days after a written proposal is sent to Lessees, the vote taken by letter, electronic mail (email) or facsimile shall become final. Unit Operator will give prompt notice of the results of such voting to all Lessees.

12.6.5 Projects - \$50,000 or Less: Any operation approved by the Operating Committee the cost of which is estimated to be \$50,000 or less shall be carried out by the Unit Operator as proposed and each Lessee which was entitled to vote on such operation shall be obligated to pay its proportionate share of the costs of the operation as if it had voted in favor of the project.

12.6.6 Projects Greater Than \$50,000: Any operation which was approved by the Operating Committee, but by less than all Lessees, and the cost of which is estimated to exceed \$50,000 shall be subject to the Non-Consent provisions of Article 18.

12.6.7 Non-Consenting Owners: A Non-Consenting Lessee shall not be entitled to vote as long as it remains a Non-Consenting Lessee. The Consenting Lessees shall be entitled to vote the Non-Consenting Lessees interest in proportion to the Unit participation carried by such participating, Consenting Lessee.

ARTICLE 13 UNIT OPERATOR

13.1 Initial Unit Operator: Unit Petroleum Company ("UPC") is hereby designated to perform the duties of the initial Unit Operator.

13.2 Resignation or Removal:

13.2.1 Resignation. Unit Operator may resign at any time.

13.2.2 Removal For Cause. The Operating Committee may remove Unit Operator for good cause by the affirmative vote of Lessees having at least sixty-five percent (65%) of the voting interest remaining after excluding the voting interest of Unit Operator; provided, however, that such remaining voting interest, after excluding the voting interest of the Operator, is at least twenty-five

percent (25%) of the total voting interest of the Unit. For the purposes hereof, the term “good cause” means gross negligence or willful misconduct, and also includes the material breach of fiduciary duty or duties as Operator or the inability to materially perform obligations under this Plan.

13.2.3 Removal without Cause. The Operating Committee may remove Unit Operator without good cause by the affirmative vote of Lessees having at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of Unit Operator.

13.2.4 Release of Obligations. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of three (3) months after the resignation or discharge unless a successor Unit Operator has taken over the Unit Operations prior to the expiration of such period.

13.3 Selection of Successor: Upon the resignation or removal of a Unit Operator, the Operating Committee shall select a successor Unit Operator. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of two or more Lessees having at least fifty-one percent (51%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed.

13.4 Agreements by Unit Operator: If a Unit Operator is replaced with a successor Unit Operator, all surface use agreements, easements, damage agreements and other contracts and agreements entered into by the Operator for the purpose of Unit Operations shall be transferred to the successor Unit Operator.

ARTICLE 14 AUTHORITIES AND DUTIES OF UNIT OPERATOR

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

14.2 Effective Date: The Unit Operator shall have the exclusive right and be obligated to set the Effective Date for commencing Unit Operations as further described in Article 28.

14.3 Initial AFEs: The Unit Operator shall prepare and circulate the initial development plans, initial AFEs, and initial election notice as described in Article 18.4.

14.4 Workmanlike Conduct: The Unit Operator shall conduct Unit Operations in a good and workmanlike manner and in accordance with accepted industry standards as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with the Operating Committee and keep it informed of all matters that Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Lessees for damages not resulting from its gross negligence or willful misconduct.

14.5 Liens and Encumbrances: The Unit Operator shall endeavor to keep the lands and leases in the Unit Area and the Unit Equipment free from all security interests, liens, and encumbrances occasioned by Unit Operations except the security interest and lien of the Lessees, Unit, and Unit Operator granted hereunder.

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

14.7 Records: The Unit Operator shall keep correct books, accounts and records of Unit Operations.

14.8 Reports to Lessees: The Unit Operator shall furnish to Lessees reports of Unit Operations as agreed to by the Operating Committee.

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

14.10 Engineering and Geological Information: The Unit Operator shall furnish to a Lessee, upon written request, any engineering and geological data pertaining to Unit Operations after the effective date of this Plan of Unitization. Lessee shall be responsible for any costs incurred by Operator in providing such data.

14.11 Expenditures: Unit Operator is authorized to make all expenditures for normal or recurring operating expenses and other single expenditures not in excess of Fifty Thousand Dollars (\$50,000.00) without prior approval of the Operating Committee. If an emergency occurs, the Unit Operator may immediately make or incur expenditures that, in its opinion, are required to deal with the emergency. Unit Operator shall report to Lessees, as promptly as possible, the nature of the emergency and the action taken. The Unit Operator's receipt of an approved Authorization For Expenditure ("AFE") from at least sixty-five percent (65%) of the Lessee's voting interest shall constitute Operating Committee approval for expenditures in excess of Fifty Thousand Dollars (\$50,000.00).

14.12 Wells Drilled by Unit Operator: All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Prior approval of the Operating Committee shall be necessary before the Unit Operator may employ its own tools and equipment. The charge for such tools and equipment shall not exceed the prevailing rate in the area and Unit Operator shall perform the work under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

14.13 Restoration of Surface Conditions Existing Prior to Unitization: Lessee, upon request of Unit Operator, shall fill all pits, remove concrete foundations, or perform any other restorative work necessary to restore surface damage which existed prior to the Effective Date. If Lessee has not completed said work within ninety (90) days after notification by the Unit Operator, then the Unit Operator shall be authorized to perform the necessary restoration. The cost of any such work to restore surface to a condition that is acceptable to the proper regulatory body shall be borne entirely by the Lessee or Lessees who contributed such lands to the Unit.

14.14 Border Agreements. Unit Operator may, after approval by Working Interest Owners, enter into border agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

ARTICLE 15

TAXES

15.1 Ad Valorem Taxes: The Unit Operator shall, beginning in the first calendar year after the Effective Date hereof, 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 Unitized Formation. Any Lessee dissatisfied with any 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 the Unit Operator for the joint account in the same manner as other costs and expenses of Unit Operations; provided, however, any Lessee having an overriding royalty, oil payment or similar burden on his interest in excess of the basic 1/8th royalty in any Tract shall be given credit on his assessment for the amount of assessment chargeable to such overriding royalty, oil payment or similar burden. In order to comply with the foregoing provision, each Lessee shall notify the Unit Operator of such overriding royalty, oil payment or similar burden.

15.2 Other Taxes: The Unit Operator shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or in respect of the production or handling of its share of Unitized Substances.

ARTICLE 16

INSURANCE

16.1 Insurance: Unit Operator, with respect to Unit Operations, shall comply with what is notated on Exhibit "D"

ARTICLE 17
ADJUSTMENT OF INVESTMENTS

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

17.1.1 Wells: All wells completed in the Unitized Formation together with the casing therein.

17.1.2 Well and Lease Equipment: The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which the Operating Committee determines is necessary or desirable for conducting Unit Operations. If any such wells are multiple-completed wells, the provisions of this article shall apply only to that equipment used in connection with the Unitized Formation.

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

17.2 Inventory and Evaluation of Personal Property: The Operating Committee shall, at Unit Expense, appoint an independent appraiser to inventory and evaluate, as determined by the Operating Committee, the personal property taken over. Such inventory shall include, and be limited to, those items of equipment considered controllable under Exhibit "C" unless determined otherwise by the Operating Committee in order to insure a more equitable adjustment of investment. Casing shall be included in the inventory for record purposes, but shall be excluded from evaluation and investment adjustment.

17.3 Investment Adjustment: Upon approval by the Operating Committee of the inventory and evaluation, each Lessee shall be credited with the value of its interest in all personal property taken over under Articles 17.1.1 and 17.1.2 and shall be charged with an amount equal to that obtained by multiplying the total value of all personal property taken over under Article 17.1.2 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 an item of Unit Expense chargeable against such Lessee. If the credit to any Lessee is greater than the amount charged against such Lessee, the resulting net credit shall be allocated to such Lessee by Unit Operator out of funds received by it in settlement of the net charges described above. Each Lessee, instead of owning an interest in all its personal property delivered to the Unit Operator under Article 17.1, will be considered as having exchanged such interest for an undivided interest in all personal property so delivered to the Unit Operator, subject to the investment adjustment herein provided.

17.4 General Facilities: The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be, by negotiations by the owners thereof and Unit Operator, subject to the approval of the Operating Committee. There shall be no adjustment for lease roads or appurtenances thereto.

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

17.6 Non-Consenting Lessees: To the extent a Lessee is a Non-Consenting Lessee at the time the inventory and evaluation is completed, then any net amount owed by or owing to the said Non-Consenting Lessee with respect to said inventory and evaluation will be applied to the calculation of the Non-Consenting Lessee's payout balance under Article 18. Accordingly, any such net amount owed by a Non-Consenting Lessee with respect to said inventory and evaluation will be carried by the Consenting Lessees.

ARTICLE 18 UNIT EXPENSE

18.1 Basis of Charge to Lessee: The Unit Operator initially shall pay all Pre-Unitization Expense (See Exhibit "E") and shall be reimbursed for same by the Lessees in proportion to the Lessee's respective Unit Participation under Phase I, as of the Effective Date. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit "C". Each Lessee shall reimburse the Unit Operator for its share of Unit Expense as set forth below:

18.1.1 Unit Operating Expense. Each Lessee's share of all unit operating expense shall be based on its Unit Participation during the phase in which such expense is incurred. All charges, credits, and accounting for unit operating expenses shall be in accordance with Exhibit C. As used in this Article 18.1.1, the term "unit operating expense" shall include all costs incurred by the Unit or Unit Operator in the daily operation and routine maintenance of the Unit Area of the property owned by the Unit, including by way of illustration but not limited to the cost for operation, maintenance and repair of the producing wells, producing equipment, production gathering system, water supply systems, water heating and injection systems and tank batteries.

18.1.2 Unit Development Expenditure. Each Lessee's share of unit development expenditures shall be based on its Unit Participation under Phase I. As used in this Article 18.1.2, "unit development expenditure" shall include all costs incurred by the Unit or Unit Operator in purchasing and installing necessary equipment, additions, betterments and improvements for the Unit Area, including by way of illustration, but not limited to the purchase and installation of water supply systems, water heating and injection systems, production gathering systems and central consolidated tank battery facilities, drilling of wells, conversion and equipping of wells for water injection and well recompletion work on any producing well.

18.1.3 Other Unit Expense. Any Unit Expense, if any, not described by Articles 18.1.1 or 18.1.2, above, shall be shared by the Lessees in accordance with their respective Unit Participation during the phase in which such Unit Expense is incurred.

If a Prior Non-Participating Lessee elects to participate in the Unit, it shall be charged with and responsible for the payment of its share of Unit Expense charged against a Tract in the same proportion that it would be obligated or responsible for the cost and expenses of operating such Tract in the absence of unitization after recovery of any non-consent penalties related to the original well as provided by the operating agreement governing such Tract. Such obligation and responsibility to pay its share of Unit Expense attributable to such Tract shall accrue and commence upon election to participate in the Unit, notwithstanding that the Prior Non-Participating Lessee shall not be entitled to receive a share of Unitized Substances attributable to such Tract until recovery of non-consent penalties as provided in the operating agreement governing such Tract.

18.2 Advance Billings: The Unit Operator shall have the right without prejudice to other rights or remedies to require Lessees to pay their share of the following:

18.2.1 Unit Operating Expenses: The Unit Operator shall have the right without prejudice to other rights or remedies to require Lessees to advance their respective share of unit operating expenses by submitting to Lessees, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days after the receipt thereof, each Lessee shall pay to the Unit Operator its share of such estimate. At the close of each calendar month the Unit Operator shall make adjustment between estimated and actual Unit Expense, and the accounts of the Lessees shall be adjusted accordingly.

18.2.2 Unit Development Expenditures: The Unit Operator shall have the right without prejudice to other rights or remedies to require Lessees to advance their respective share of unit development expenditures as described in Article 18.1.2 above which, from time to time, have been either approved by the Operating Committee or are exempt from Operating Committee approval under Article 14.11. For all such unit development expenditures, Operator may submit an itemized estimate thereof with a

request for payment in advance. Within fifteen (15) days after the receipt thereof, each Lessee shall pay to the Unit Operator its share of such estimate. The advance payments made for these expenditures will be used solely to pay for such expenditures as described in Article 18.1.2 above.

18.2.3 Other Unit Expenses: The Unit Operator shall have the right without prejudice to other rights or remedies to require Lessees to advance their respective share of any unit expense, described by Article 18.1.3 above, by submitting to Lessees, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days after the receipt thereof, each Lessee shall pay to the Unit Operator its share of such expenses.

18.3 Commingling of Funds: Funds received by the Unit Operator under this Plan of Unitization need not be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

18.4 Non-Consent Election: As close as reasonably practical to the Effective Date of the Unit, each Lessee shall have the opportunity to elect to participate in the entire cost of forming, installing and operating the Unit. Upon the approval of the Plan of Unitization by the Commission, each Lessee shall be given notice of the Effective Date of the Unit and that they may elect to participate in the cost of the formation of the Unit and installation and operation of the Unit as authorized by the Operating Committee. The notice shall have attached thereto the Operator's initial development plan and associated AFEs for work to be commenced within the first six (6) months after the Effective Date. Any Lessee desiring to participate in the cost of the formation of the Unit, the initial development plan and associated AFEs and the subsequent installation, development and operation of the Unit as authorized by the Operating Committee must notify the Unit Operator in writing of their decision to proceed as a "Consenting Lessee" within 14 days of the mailing of said notice. Failure to notify Unit Operator in writing within the prescribed time of Lessee's election to participate shall be deemed an election by said Lessee to go non-consent in the costs of forming, installing and operating the Unit as a "Non-Consenting Lessee". If less than all Lessees elect to participate in the Unit, the Unit Operator, immediately after the expiration of the applicable notice period, shall advise the Consenting Lessees of the total interest of the parties electing to participate in approving this Unit and its recommendation as to whether the Consenting Lessees should proceed with unitization. Each Consenting Lessee, within five (5) days after receipt of such notice, shall advise the Unit Operator of its desire to (a) limit participation to such party's interest as shown on Exhibit "A" or (b) carry its proportionate part of Non-Consenting Lessees' interests, and failure to advise the Unit Operator shall be deemed an election under (a). The Unit Operator, at its election, may withdraw its approval of the Plan of Unitization if in Unit Operator's opinion there is insufficient participation by the Consenting Lessees and shall promptly notify all parties of such decision. Consenting Lessees electing to carry their portion of non-consenting interests shall pay the costs of all Non-consenting Lessees in the proportion that the Unit Participation of each Consenting Lessee bears to the total Unit Participation, based upon the Unit Participation of all Consenting Lessees electing to carry their portion of non-consent acreage.

18.4.1 Recovery of Costs: Consenting Lessees shall own and be entitled to receive, in proportion to their respective interest, all of the Non-consenting Lessees' interest in the Unit and share of production therefrom and associated right to vote, until the proceeds from such Lessee's share of the Unitized Substances, after deducting production taxes, severance taxes, excise taxes, royalty, overriding royalty, and other burdens on said interest, shall equal the total of the following:

a) One hundred percent (100%) of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections, (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus one hundred percent (100%) of each such Non-Consenting Party's share of the cost of operation attributable to such operation and continuing until each such Non-Consenting Party's relinquished interest shall revert to it, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had all Non-Consenting Parties participated from the beginning of the operation, it being further understood that such costs shall also bear interest as provided in Article 18.6 herein below;

b) three hundred percent (300%) of that portion of the costs and expenses of drilling wells in the Unit Area, including but not limited to staking, wellsite preparation, rigging up or drilling and reworking, deepening, or plugging back, testing and completing the wells; and

c), and three hundred percent (300%) of that portion of the cost and expenses of the underground pipeline systems, expenses for injected substances and any other incurred expenses which are not recoupable in the further development and operation of the Unit Area, including Pre-Unitization Expenses and the cost of newly acquired underground equipment in the well to and including the wellhead connections, all of which would have been chargeable to such Non-Consenting Party if it had participated therein.

Upon receipt by the Consenting Lessees of the total of the foregoing, the interest of the Non-Consenting Lessee shall revert back to said Lessee who shall be entitled to all rights and be subject to all obligations hereunder as a Lessee.

18.4.2 Delivery of Proceeds During Non-Consent: During any period of time that any Lessee has elected to proceed non-consent, the Consenting Lessees electing to acquire their portion of non-consent acreage shall be entitled to collect and receive from the purchaser or purchasers one hundred percent of the proceeds from the Non-Consenting Lessees' share of the Unitized Substances. The Unit Operator shall submit to said purchaser or purchasers a written statement of the amounts to be received by the Consenting Lessees, and their proportionate share thereof, from the interests of the Non-Consenting Lessees. Each purchaser shall be entitled to rely upon the Unit Operator's statement concerning the Non-Consent status of any Lessee, and the amount to be received by the Consenting Lessees, and shall make any payments required to pay said amounts directly to the Consenting Lessees. Said purchaser or purchasers shall be protected and held harmless from claims or actions by Non-Consenting Lessees which may result from payments made directly to Consenting Lessees of any amount due hereunder. Each Lessee agrees to execute any division order, transfer order or other document or instrument necessary to facilitate the payment of Non-Consenting Lessee's share of proceeds of production to Consenting Lessees until all monies due Consenting Lessees under this Article have been paid in full. Each Non-Consenting Lessee shall have the right to pay the amounts due as set forth above at any time and once paid in full, the interest of the Non-Consenting Lessee shall revert back to said Lessee who shall be entitled to all rights and subject to all obligations hereunder as a Consenting Lessee.

18.5 Non-Consent Election of Prior Non-Participating Lessee: A Prior Non-Participating Lessee shall be allowed to elect whether to participate in the cost of forming, installing and operating the Unit under the same terms and conditions as provided in Article 18.4, notwithstanding that it shall not be entitled to receive a share of Unitized Substances attributable to any Tract in connection with which it previously elected not to participate until recovery of payout costs as provided in the applicable agreement governing that interest. However, if a Prior Non-Participating Lessee elects not to participate in the Unit in accordance with Article 18.4, each person currently entitled to production attributable to the interest of the Prior Non-Participating Lessee shall be notified and have the option of electing to pay all Unit Expense attributable to such person's current beneficial share of the interest of the Non-Consenting Prior Non-Participating Lessee in the Tract and thereby be entitled to receive the share of Unitized Substances attributable to that portion of the interest of such Non-Consenting Prior Non-Participating Lessee in such Tract until recovery of non-consent penalties as provided in Article 18.4 in addition to non-consent penalties in connection with the drilling or subsequent operations relating to the original well. Such option shall be exercised within 14 days after the mailing of such notice. Failure to notify Unit Operator in writing within the prescribed time shall be deemed to be an election not to exercise such option. If such option is not exercised, the Unit Expense attributable to the interest subject to the unexercised option shall be assumed by all Consenting Lessees and such interest shall be treated as provided in Article 18.4. However, in the event such option is not exercised, the Consenting Lessees which assume such Unit Expense shall not be entitled to a share of Unitized Substances until such time as the Prior Non-Participating Lessee would have been entitled to receive such Unitized Substances had the Prior Non-Participating Lessee elected to participate in the Unit.

18.6 Unpaid Unit Expense: Subject to the provisions of Article 18.6.1 below, if any Lessee fails or is unable to meet promptly its financial obligations in connection with the Unit, the unpaid balance of its share of Unit Expense shall be borne and paid by all non-defaulting Lessees in the proportion that the Unit Participation in effect at the time of each bears to the total of such Unit Participation of all such Lessees. Such unpaid amount shall bear interest for the first sixty (60) days after it shall become due at the BOK Prime Rate plus five percent (5%) per annum, or such maximum rate as permitted by the laws of the State of Oklahoma, whichever is lesser, until paid. Subsequent to such first sixty (60) days, such unpaid amount shall bear interest at the rate of forty-five percent (45%) per annum, or such maximum rate as permitted by the laws of the State of Kansas, whichever is lesser, compounded annually, until paid. Non-defaulting Lessees so paying shall be reimbursed therefore, together with interest thereon, when the amount so carried and the interest thereon are collected from the Lessees primarily chargeable therewith. The amount carried shall be due and payable out of the proceeds from the defaulting Lessee's share of Unitized Substances, including overriding royalty interests, oil and gas payments, or other interest in excess of the respective royalty interest to which such Lessee's interest is subject. During the time that any Lessee fails to pay its share of the Unit Expense, the Unit Operator shall be entitled to collect and receive from the purchaser the proceeds from such Lessee's share of the Unitized Substances. All credits to any such defaulting Lessee on account of the sale or other disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit expense charged against such Lessee. Unit Operator shall make reasonable efforts to collect proceeds from defaulting parties prior to billing non-defaulting parties for these delinquent amounts. When a Lessee's obligation is in excess of \$1,000, these collection activities may include filing of lien(s) and the initiation of legal proceedings. All costs incurred in collection of proceeds shall be a Unit Expense.

18.6.1 Non-Consent Upon Failure to Pay: If any Consenting Lessee fails to pay its share of Unit Expense when due, the Unit Operator shall be entitled to send to such defaulting consenting Lessee a notice advising the defaulting Consenting Lessee that the Unit Operator intends to invoke the provisions of Article 18.6.1 of this Plan unless payment of the past due amounts is submitted to the Unit Operator within ten (10) days of the delivery of the notice. A failure by a defaulting Consenting Lessee to submit payment for such past due amounts within such time shall confer upon the Unit Operator the right, but not the obligation, to treat such failure to pay as an election by the defaulting Consenting Lessee to be treated as a Non-Consenting Lessee in accordance with the terms of Articles 18.4, 18.4.1 and 18.4.2 hereof.

18.7 Lien: The Unit shall have a first and prior lien upon the leasehold interest and other Oil and Gas Rights (exclusive of the respective royalty interest) in and to each Tract, the interest of the owners thereof in and to the Unitized Substances and all Unit Equipment in possession of the Unit, to secure payment of all Unit Expense properly charged to and against such Tract; provided that, such lien may be enforced against overriding royalty interests, or other interests (exclusive of the one-eighth (1/8th) basic royalty interest) that are otherwise not chargeable with such costs and expenses, only in the event the owner of the interest or interests primarily responsible fails to pay such Unit Expense when due, and the Unitized Substances to the credit thereof are insufficient for that purpose. If 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 therefore pays any part of such Unit Expense for the purpose of protecting such interest, or if the amount of such Unit Expense in whole or in part is deducted from the Unitized Substances credited to such interest, the owner shall, to the extent of such payment or deduction, be subrogated to all of the rights of the Unit and the Unit Operator with respect to the interest primarily chargeable with such Unit Expense. Each Royalty Owner's share of the Unitized Substances allocated to each Tract shall in all events be regarded as royalty to be distributed to and among, or the proceeds thereof paid to, the Royalty Owners free and clear of all Unit Expense and free of any lien. The lien herein provided shall be for the use, benefit and protection of the Unit Operator or other Lessees or Persons entitled to receive or share in the monies, the payment of which is secured thereby, and upon a failure of the Unit to enforce such lien, the Unit Operator or other person entitled to the benefit thereof shall be subrogated to the lien rights of the Unit, including the right of foreclosure. The lien may be foreclosed at any time in the manner provided by law. The Unit Operator is authorized to execute and record on behalf of any Lessee, and without such Lessee's signature, a Memorandum of Agreement and/or UCC-1 evidencing the lien and security interest granted thereby.

18.8 Carved-Out Interest Subject to This Plan: In the event any Lessee shall, after executing this Plan, create an overriding royalty, production payment, net profits, or carried interest, or any other interest out of its interest then subject to this Plan, such carved-out interest shall be subject to the terms and provisions of this Plan. In the event the Lessee owning the interest out of which the carved-out interest was created fails to pay any costs or expenses chargeable to such Lessee under this agreement and the production to the credit of such Lessee is insufficient for that purpose, the owner of the carved-out interest will be liable for its pro rata portion of all costs and expenses for which the Lessee that created such carved-out interest would have been liable hereunder by virtue of such Lessee's entire original interest just as though such carved-out interest had not been created. In this event, the lien provided in Article 18.7 hereof may be enforced against such carved-out interest in the same manner as the lien was enforceable against the original interest out of which the carved-out interest was created.

18.9 Attorney's Fees: In the event attorneys' fees and other costs are incurred by Unit Operator in the enforcement of a lien or collection of an unpaid and past due account of any Lessee, said Lessee shall bear the cost of said attorneys' fees and other costs. In the event the Unit Operator is unable to collect said attorney's fees and other costs from the responsible Lessee, any unpaid amounts shall be borne and paid by all non-defaulting Lessees, pursuant to Article 18.6 herein.

ARTICLE 19 PRODUCTION AS OF THE EFFECTIVE DATE

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

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

ARTICLE 20 NON-UNITIZED FORMATIONS

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

20.2 Multiple Completions: While each Lessee shall deliver possession of all its wells completed in the Unitized Formation as provided in Article 17, there is expressly reserved unto such Lessee the right to use such wells for the purposes of exploring, developing and operating, by means of multiple completion, such other separate common sources of supply that may overlie or underlie the Unitized Formation; provided that such Lessee shall, at its sole risk and expense, explore, develop, and operate such other separate common sources of supply and furnish and install equipment necessary to segregate the production from such other separate common sources of supply from the Unitized Substances, both in the well and on the surface, in a manner

prescribed by the Operating Committee. If it becomes necessary to workover, recondition or redrill a well by reason of operations for production from such other separate common sources of supply or the abandonment thereof, the workover, reconditioning, or redrilling shall be done by and at the sole cost, risk and expense of such Lessee and under the supervision of the Unit Operator. If it becomes necessary to workover, recondition or redrill a well by reason of the development, operation or abandonment of the Unitized Formation in a well multiply-completed in the Unitized Formation and other separate common sources of supply, the workover, reconditioning or redrilling shall be done by the Unit Operator, and any extra expense incurred in the workover, reconditioning or redrilling, resulting from or occasioned by the well being a multiply-completed well, shall be borne by the Lessee producing from the other separate common source of supply in the well. The term "extra expense" means the difference between the charges incurred in working over, reconditioning, or redrilling a multiply completed well and the charges for doing the same on a well which is not multiply completed. The Unit Operator shall furnish the Lessees with an estimate of such charges prior to the commencement of the work. Before any Lessee shall commence the workover, reconditioning or redrilling of any well included in the Unit, the permission of the Operating Committee shall be secured. In an emergency, or if the Lessee fails to comply with the requirements of the Operating Committee, the Unit Operator shall have the authority to perform all work necessary to protect the Unitized Formation. If there is a conflict of interest between the Unit and any Lessee with respect to a multiple-completed well, or the operations thereof, the interest of the Unit shall prevail. Except for bad faith or gross negligence, neither the Lessee, the Unit, nor the Unit Operator shall be liable or responsible for any damage to or loss of production from any other separate common sources of supply, nor the damage to the property, equipment, or facilities used in the development and operations of a multiple-completed well.

ARTICLE 21 ABANDONMENT OF WELLS

21.1 Rights of Former Owners: If the Operating Committee elects to permanently abandon any Unit well prior to termination of the Unit, the Unit Operator shall give notice thereof to the Lessees of the Tract on which the well is located, and they shall have the option for a period of sixty (60) days after the sending of such notice to notify the Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Lessees of the Tract have notified the Unit Operator of their election to take over the well, they shall pay the Unit Operator, for credit to the joint account, the amount estimated by the Operating Committee to be the net salvage value of the equipment in and on the well. The Lessees of the Tract, by taking over the well, agree to promptly and effectively seal off and protect the Unitized Formation in a manner satisfactory to the Operating Committee, and upon abandonment to plug the well in compliance with applicable laws and regulations. The Lessee(s) taking over the well shall promptly file all necessary forms with the Commission and ensure that said Lessee(s) have a bond in place with the Commission to replace the Unit Operator's bond.

21.2 Plugging: If the Lessees of a Tract do not elect to take over a well located thereon which is proposed for abandonment, the Unit Operator shall plug and abandon the well in accordance with all applicable state and federal laws and regulations. If the well has been a multiple completion and abandonment has been mutually agreed to by the Operating Committee and Lessee, then the costs of plugging will be shared by the Unit and the Lessee on a per zone basis. Charges and credits for abandoning wells or equipment shall be shared according to the provisions of Article 30.2.4.

ARTICLE 22 CLAIMS AND SUITS

22.1 Settlements: The Unit Operator may settle any single damage claim or suit involving Unit Operations but not involving expenditure in excess of Twenty-Five Thousand Dollars (\$25,000.00), provided the payment is complete settlement of such claim or suit. If the amount required for settlement exceeds the above-specified amount, the Operating Committee shall assume and take over the further handling of the claim or suit unless such authority is expressly delegated to the Unit Operator. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Lessee, or if a Lessee is sued on account of any matter arising from Unit Operations and over which such Lessee individually has no control because of the rights given the Unit and the Unit Operator by this Plan of

Unitization, the Lessee shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

ARTICLE 23 FORCE MAJEURE

23.1 Any obligation imposed by this Plan of Unitization on each Person, except for the payment of money, shall be suspended while compliance therewith is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or, by any other cause beyond the reasonable control of such Person. No Person shall be required against its will to adjust or settle any labor dispute. Neither this Plan of Unitization nor any lease or other instrument subject thereto shall be terminated by reason of the suspension of Unit Operations due to any of the causes set forth in this Article.

ARTICLE 24 INTERNAL REVENUE PROVISION

24.1 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 1986, as amended, or such portion thereof as the Secretary of the Treasury of the United States or his delegate shall permit by election to be excluded therefrom. Unit Operator is hereby authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the regulations issued under SubChapter K, or should said regulations required each Person to execute such further evidence, each Lessee shall execute or join in the execution thereof. The election hereby made and the other provisions of this Article shall apply in like manner to the applicable state laws, regulations and rulings now in effect. In making this election each of the Lessees hereto does hereby state that the income derived by it from operations under this Plan can adequately be determined without the computation of partnership taxable income.

ARTICLE 25 NOTICES

25.1 Notices: All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, telegram, telex, telecopy, facsimile or electronic means to the address of the representative of each Lessee on the Operating Committee as furnished to the Unit Operator in accordance with Article 12. The date of service of such notice shall be the date of receipt by the recipient and shall be deemed received upon actual delivery to said address of the Person to be notified or actual delivery to said telecopy, facsimile or telex machine address of such Person. The address for delivering notice and other communications to the initial Unit Operator shall be:

Unit Petroleum Company
8200 South Unit Drive
Tulsa, OK 74132-5300
Facsimile: (918) 477-4540

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

ARTICLE 26 WITHDRAWAL OF LESSEE

26.1 Withdrawal: A Lessee, after first having given each of the other Lessees sixty (60) days' notice of its intention to do so, may withdraw from this Plan by transferring, without warranty of title either expressed or implied, to the other Lessees all of its working interest or operating rights in the Unit Area insofar as said interest or rights pertain to the Unitized Formation and its interest in all wells, equipment, property and facilities jointly owned by the Lessees hereto, which interest shall be transferred to such Persons in the proportion that their respective Tract participation bears to the aggregate of the Tract Participation of all remaining Lessees, and Exhibit(s) shall be revised accordingly. Such transfer shall be effective the first day of the calendar month following the sixty (60) day notice period. Any other Lessee desiring to withdraw at the same Effective Date shall notify all other Lessees in writing of such Lessee's election within first thirty (30) days of said the sixty (60) day period. Such assignment shall be made to those persons who have not elected to withdraw, and if the Unit Operator has not elected to withdraw, then delivery of such assignment may be made to the Unit Operator for the transferees. If all Lessees give notice of their desire to withdraw, then this Plan shall be terminated as herein provided. Upon delivery of said assignment, the acquiring persons in proportion to the respective interest so acquired, shall pay to the withdrawing Lessee an amount equal to such withdrawing Lessee's interest in the fair salvage value of all jointly owned salvageable equipment, property and facilities, less its share of the estimated cost of salvaging same and less the share of the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations hereunder, as determined by Lessees. In the event such withdrawing Lessee's interest in the aforesaid fair salvage value is less than the withdrawing Lessee's share of the estimated cost of plugging and abandoning all wells then being used or held for Unit Operations, then the withdrawing Lessee, as a condition precedent to withdrawal, shall pay in cash to the persons succeeding to its interest a sum equal to the deficiency. As of the Effective Date of the withdrawal, the withdrawing Lessee shall cease to be a Lessee to this Plan, shall be relieved from all further obligations, hereunder, and shall have no benefits thereafter accruing hereunder, provided, however, the withdrawing Lessee shall not be relieved of any obligations incurred hereunder prior to the Effective Date of this Plan, and further provided, however, that the withdrawing Lessee shall not be relieved of any obligations incurred hereunder prior to the effective date of its withdrawal.

26.2 Limitation on Withdrawal. Notwithstanding anything set forth in Section 26.1, Lessees may refuse to permit the withdrawal of a Lessee if it's Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-quarter (1/4) lessor's royalty, unless the other Lessees willing to accept the assignment agree to accept the Working Interest subject to such burdens.

ARTICLE 27 INTERESTS OF LESSEES

27.1 Oil and Gas Interests: If any Lessee owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this Plan of Unitization and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "F". As to such interest, the owner shall receive royalty on production as prescribed the form of oil and gas leases attached hereto as Exhibit "F". Such Lessee shall, however, be subject to all the provisions of this Plan of Unitization relating to Lessees to the extent that it owns the Lessee interest.

27.2 Maintenance of Uniform Interest: For the purpose of maintaining uniformity of ownership as to the Unit Participation that each Lessee is entitled to under this Plan of Unitization, and notwithstanding any other provisions to the contrary, no Lessee shall sell, encumber, transfer or make other disposition of its interest hereunder that lies within the Unit Area and in wells, equipment and production unless such disposition covers either:

- a) The entire interest of the Lessee in all leases and equipment and production; or
- b) An equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any Lessee shall be made expressly subject to this Plan of Unitization, and shall be made without prejudice to the right of the other Lessees.

27.3 Preferential Right to Purchase: Should any party desire to sell all or any part of its interest under this agreement, or its rights and interest in the Contract Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right or purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all or substantially all of its assets to a subsidiary or parent company, or to any company in which any one party owns a majority of the stock.

27.4 Interest Divided: If, at any time the interest of any Lessee is divided among and owned by two or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such Lessee's share of the Joint Expenses, and to deal generally with, and with the power to bind, the co-owners of such Lessee's interests within the scope of the operations embraced in this Plan of Unitization; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

ARTICLE 28 EFFECTIVE DATE OF UNIT

28.1 Effective Date of Unit: This Agreement shall be immediately binding on each party upon execution of the original or a counterpart thereof (or an appropriate instrument of acceptance of the Plan of Unitization). Upon entry of an Order by the Kansas Corporation Commission establishing the Unit Area as a unit for unitized operation of the Unitized Formation and approving this agreement and the Tract Participations, the Unit Operator shall determine, and give Lessees reasonable notice of the Effective Date when the Unit will take over and commence Unit Operations. The Effective Date will be not be less than ten (10) days from the entry of the Order approving the Unit or more than six (6) months after the time when the Order approving the Unit becomes final.

28.2 Orders Approving Unit - When Final: The Order of the Commission approving the Unit means the Order or Orders approving this Plan of Unitization and finding that it has been signed, ratified, or approved by Lessees and Royalty Owners owning the percentage interest in the Unit Area required to make it effective. If the approval of this Plan of Unitization and the finding of approval by the Lessees and Royalty Owners are by separate Orders, the date of the later of the two (2) Orders shall be regarded as the date of entry of the Order approving the Unit. The Order approving the Unit will be regarded as having become final when the time for appeal from the action of the Commission in regard thereto has expired if no appeal is taken; or, if an appeal or appeals are taken, then upon the final determination thereof.

28.3 Automatic Termination/Extension: If an Order of the Commission approving the Unit has not been entered prior to the expiration of one (1) year from the date of this Plan of Unitization, then this Plan of Unitization shall terminate on that date, hereinafter called the Termination Date, and thereafter be of no further effect, unless prior thereto this Plan of Unitization has been signed, ratified or approved by Lessees owning a combined Unit Participation of at least sixty-three percent (63%) in which event the Termination Date shall be automatically extended for a period of one (1) year. If said Termination Date has been automatically extended and an Order of the Commission approving the unit has still not been entered then the Termination Date may again be extended a period not to exceed one additional year if the Working Interest Owners who own a combined Unit Participation attributable to the Working Interest of at least 63% have agreed in writing to so

extend the Termination Date. If the Termination Date is so extended and the Order of the Commission approving the Unit is not entered on or before the second extended Termination Date, this Plan of Unitization shall terminate on the second extended Termination Date, and thereafter shall be of no further force and effect.

28.4 Failure to Take Over Operations: If the Unit Operator fails to take over and commence Unit Operations on or before one (1) year after the time when the Order of the Commission approving the Unit shall become final, the Unit shall be dissolved and all rights and obligations under this Plan of Unitization shall be at an end, except that any and all costs and expenses incurred incident to its organization or preparatory to the commencement of Unit Operations, shall be borne and paid for by the Lessees whose representatives authorized the incurring of such expenses, in proportion that the Unit Participation of each such Lessee bears to the total Unit Participation of all such Lessees.

28.5 Certificate of Effectiveness: The Unit Operator, within sixty (60) days after the Effective Date, shall submit to the Register of Deeds of RENO COUNTY, Kansas, and to the Commission, for filing, a Certificate of Effectiveness setting forth:

- a) The date of the Order and date approved by the required percentage of owners;
- b) Docket Number
- c) Name of Unit
- d) Producing Formation Unitized
- e) The time unit operations shall commence
- f) Legal Description of each tract in the Unit; and
- g) The allocation of the production of the unit among the owners

Within a reasonable time, the Unit Operator will file a similar certificate when Unit Operations have terminated.

ARTICLE 29 AMENDMENT AND ENLARGEMENT

29.1 Amendment and Enlargement: Any amendment of this Plan of Unitization or any enlargement of the Unit Area shall be in accordance with the provisions of K.S.A. 55-1307 and any amendment thereto.

ARTICLE 30 TERM AND ABANDONMENT OF OPERATIONS

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

30.2 Abandonment of Operations: Upon abandonment of operations:

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

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

30.2.3 Salvaging Wells and Unit Equipment: The Unit Operator shall salvage the Unit Equipment and as much of the casing and equipment in or on wells not taken over by Lessees of the separate Tracts as can economically and reasonably be salvaged, and shall properly plug and abandon the wells

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

30.2.4 Abandonment Costs and Distribution of Assets: Each Lessee shall share in the plugging and abandonment costs and distribution of assets and properties used in Unit Operations in proportion to their respective Unit Participations.

30.3 Certificate of Termination: When Unit Operations are abandoned and the affairs of the Unit terminated, the Unit Operator shall submit to the County Clerk of RENO COUNTY, Kansas, and to the Secretary of the Commission for filing, a Certificate of Termination setting forth the time of termination of the Unit.

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

ARTICLE 31 MISCELLANEOUS

31.1 Original, Counterparts or Ratification: This Plan of Unitization may be signed, ratified or approved by signing the original of this instrument, a counterpart, a ratification hereof or other instrument adopting the provisions hereof, all with the same effect as if a person had signed the same instrument. Persons signing, ratifying or otherwise approving this Plan of Unitization thereby agree to all the provisions thereof and Exhibits thereto.

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

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

31.4 Singular and Plural Gender: Unless the context otherwise clearly indicates, the words used herein in the singular include the plural, the plural include the singular, and a neuter gender includes the masculine and the feminine.

31.5 Severability. Any term or provision of this Plan of Unitization that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

IN WITNESS WHEREOF, this Plan is agreed to and approved on the dates opposite the respective signatures.

Unit Petroleum Company

By: _____
Print:

Date: _____

ADDITIONAL PARTIES TO THIS PLAN OF UNITIZATION ARE REFLECTED IN THE RATIFICATIONS ATTACHED HERETO AND MADE A PART HEREOF.

Corporate Acknowledgement

COUNTY OF TULSA)
) ss.
 STATE OF OKLAHOMA)

Before me, the undersigned, a Notary Public, in and for said County and State, on this ____ day of _____, 2016, personally appeared _____ of **Unit Petroleum Company** known to me to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same on behalf of Unit Petroleum Company 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
 Commission No.: _____

Corporate Acknowledgement

COUNTY OF _____)
) ss.
 STATE OF _____)

Before me, the undersigned, a Notary Public, in and for said County and State, on this ____ day of _____, 20__, personally appeared _____, the _____ of _____, known to me to be the identical person who executed the within and foregoing instrument and acknowledged to me that he executed the same on behalf of _____ 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
 Commission No.: _____

Individuals Acknowledgement

COUNTY OF _____)
) ss.
 STATE OF _____)

Before me, the undersigned, a Notary Public, in and for said County and State, on this ____ day of _____, 20__, personally appeared _____, known to me to be the identical person(s) who executed the within and foregoing instrument and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.

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

My commission expires:

_____, Notary Public
 Commission No.: _____

EXHIBIT "A"
TRACT DESCRIPTIONS AND TRACT PARTICIPATION FACTORS

PHASE I: In effect for the period commencing at 7:00 A.M. on the Effective Date

RENO COUNTY, KANSAS

Tract #	Lessor	Legal Description	County, State	Tract Acres	Section	Twn	Rng	Tract Participation Factor
1	JNL Preisser	6.7938ac in the NENE	RENO, KS	6.7938	17	25	9	0.1138%
2	KURT D. & ALYSSA PREISSER	NE/4 L&E A TRACT SEE LEASE	RENO, KS	153.0000	17	25	9	5.7522%
3	ALVAL GASTON AND PHYLLIS A. GASTON REVOCABLE TRUST	N/2 SE/4, AND THE EAST 50 ACRES OF THE S/2 SE/4	RENO, KS	130.0000	17	25	9	6.9243%
4	ALVAL GASTON AND PHYLLIS A. GASTON REVOCABLE TRUST	West 30ac of the SW/4 of the SE/4	RENO, KS	30.0000	17	25	9	1.0157%
5	WILLIAM K. ROYCE & CLARE LYNN JOHNSON	NE/4 NE/4 & S/2 SE/4 & A 60 ACRE TRACT DESCRIBED BY METES AND BOUNDS	RENO, KS	180.0000	16	25	9	10.8560%
6	MAXWELL	E/2 NW/4, S/2 NE/4, W/4 SE/4 NE/4, E/2 SW/4, NW/4 SE/4, W/4 NE/4 SE/4, L&E A TRACT CONTAINING 77.57 ACRES LOCATED IN W/2 E/2 W/2 & FURTHER DESCRIBED BY METES AND BOUNDS & A 77.7 ACRE TRACT IN THE W/2	RENO, KS	300.4300	16	25	9	14.7124%
7	GILBERT D. CLOUSE	W/2 W/2 EXCEPT THE SOUTH 30 ACRES SEC 16 (57.17 ACRES OF W/2 SW/4 IN SECTION 21)	RENO, KS	130.0000	16	25	9	7.7122%
8	UNIFIED SCHOOL DISTRICT #310	530 ACRES OF W/2 SW/4	RENO, KS	30.0000	16	25	9	1.6436%
9	JAMES J. HARRIS & JOYCE A. HARRIS	NW/4	RENO, KS	160.0000	15	25	9	4.1321%
10	SCHULTZ TRUST	SW/4	RENO, KS	160.0000	15	25	9	4.2883%
11	DAVID A. ZOLOTY	NE/4	RENO, KS	160.0000	20	25	9	8.7802%
12	PAIR OF JACKS FAMILY TRUST	NW/4	RENO, KS	160.0000	20	25	9	5.5739%
13	DALE HANSEN	NE/4	RENO, KS	160.0000	21	25	9	6.1191%
14	JOHN H. SHAFFER TRUST	N/2 NW/4	RENO, KS	80.0000	21	25	9	4.0824%
15	WILL OF G. W. GRIEVE	S/2 NW/4	RENO, KS	80.0000	21	25	9	4.3440%
16	MELVIN DEFFERSCHMIDT	SE/4	RENO, KS	80.0000	21	25	9	3.4083%
16B	MARK DEFFERSCHMIDT	SE/4	RENO, KS	80.0000	21	25	9	3.4083%
17	BONNIE LOUISE BUTLER	N/2 NW/4	RENO, KS	80.0000	22	25	9	2.3241%
18	JOHN H. SHAFFER TRUST	S/2 NW/4	RENO, KS	80.0000	22	25	9	1.7858%
19	JOHN H. SHAFFER TRUST	SW/4 L&E A 1.25 ACRE TRACT SEE LEASE	RENO, KS	158.7500	22	25	9	2.8321%
20	UNION PACIFIC RAILROAD	1.25 ACRE TRACT WITHIN THE SW/4 - SEE LEASE	RENO, KS	1.2500	22	25	9	0.1850%
TOTAL				2400.2238				100%

TRACT PARTICIPATION FACTOR =

$$TPF = (\text{Percentage of Number of Wells on Tract} * 5\%) + (\text{Percentage of Tract Acres} * 10\%) + (\text{Percentage of Remaining Oil in Tract} * 85\%)$$

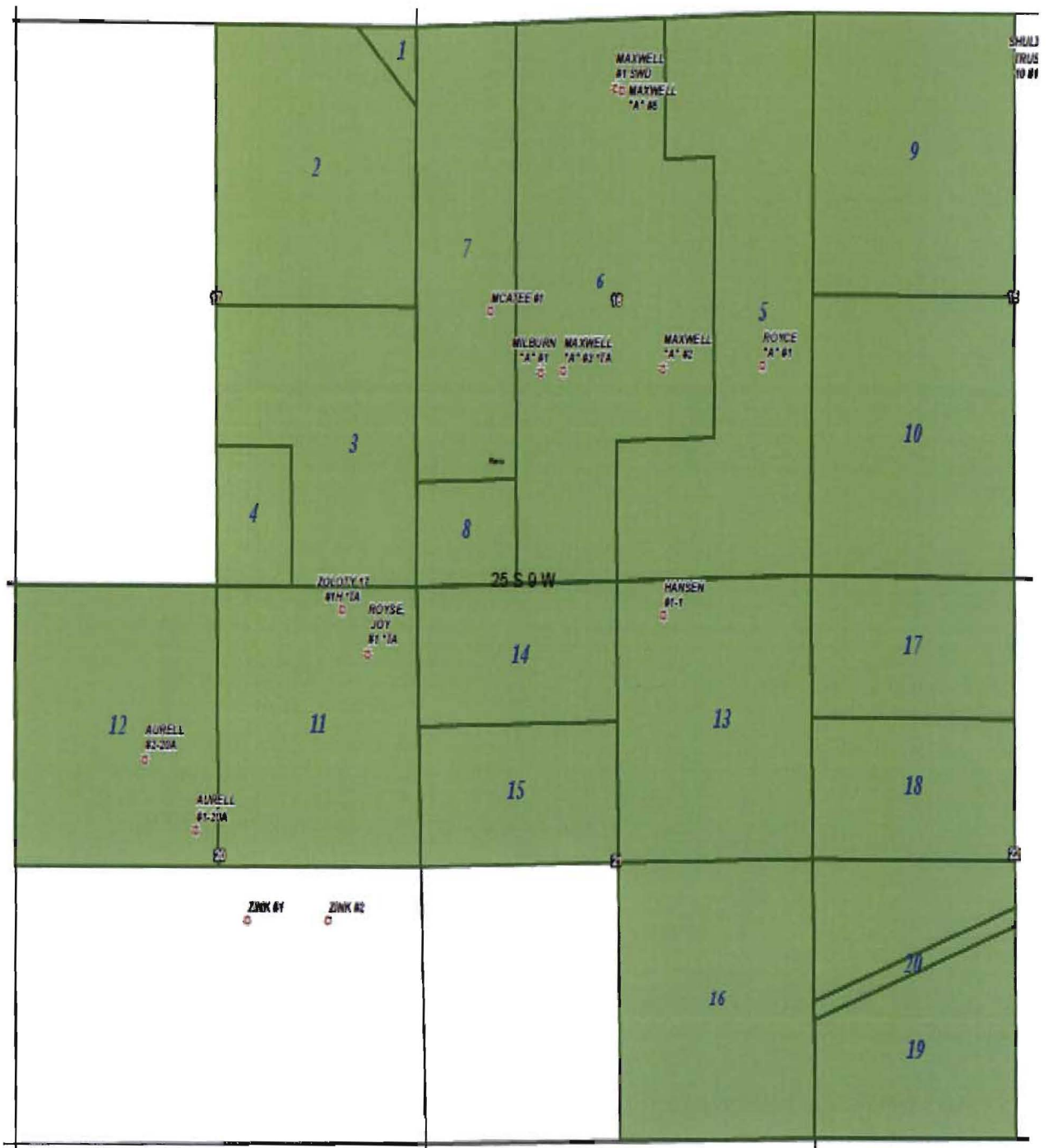


EXHIBIT "C"

Attached to and made a part of the Plan of Unitization for the Langdon Waterflood Unit, Reno County, Kansas, with Unit Petroleum as Operator.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

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

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint

Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and

expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

- A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the

billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

- B. Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest AS PROVIDED FOR IN THE UNIT PLAN (see ARTICLE 18.6 ON UNPAID UNIT EXPENSE) ~~monthly at the prime rate in effect at the BOK Rate on the first day of the month in which delinquency occurs plus 1% or the~~ maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located,

whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid

amounts. Interest shall begin accruing on the first day of the month in which the payment was due.

4. Adjustments

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

5. Audits

- A. 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 Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.

- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

6. Approval By Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation on the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs, under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.

4. Employee Benefits

Operator's current costs or 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 chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such

Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

6. Transportation

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

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph

10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract

services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead

rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the

Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed Ten percent (10%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in Paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use Kelly Blue Book rates published by COPAS.

9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section

I, Paragraph 3. **

** Notwithstanding anything to the contrary, Operator's personnel may provide and charge the joint account for title and regulatory Services at rates competitive with outside service providers.

11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

- (X) Fixed Rate Basis, Paragraph 1A, or
() Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and

salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

- () shall be covered by the overhead rates, or
(X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

- () shall be covered by the overhead rates, or
(X) shall not be covered by the overhead rates.

A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$10,000.00
(Prorated for less than a full month)

Producing Well Rate \$1000.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

- (a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever

is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

(b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (____%) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

_____ Percent (____%) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, redrilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint

Account for overhead based on the following rates for any Major Construction project in excess of 25,000.00 _____:

- A. 6 % of first \$100,000 or total cost if less, plus
- B. 6 % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C. 6 % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are

necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A. 6 % of total costs through \$100,000; plus
- B. 6 % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C. 6 % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular Goods Other than Line Pipe

- (a) Tubular goods, sized 2 3/8 inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.

- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
 - (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
 - (d) Macaroni tubing (size less than 2 3/8 inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.
- (2) Line Pipe
- (a) Line pipe movements (except size 24 inch OD and larger with walls 3/4 inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (b) Line Pipe movements (except size 24 inch OD) and larger with walls 3/4 inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
 - (c) Line pipe 24 inch OD and over and 3/4 inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
 - (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2.A.(1) and (2).

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

(2) Material used on and moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or

(b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material

(3) Material not used on and moved from the Joint Property

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

(a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used line pipe prices.

(b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil lines, shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stocking point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A.(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

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

4. Warranty of Material Furnished By Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice

of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that

Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for

overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

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

4. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

EXHIBIT "D" **INSURANCE**

While operations are conducted under this Plan of Unitization, the following insurance requirements will apply:

- A. Operator will carry (i) Workers' Compensation Insurance complying with applicable State and Federal Laws or, (ii) Employer's Liability Insurance including occupational disease insurance in the amount of \$1,000,000.00.

Operator will carry General Public Liability Insurance with a combined single limit for Bodily Injury, Personal Injury and Property Damage in the amount of \$1,000,000.00 each occurrence and \$1,000,000.00 in the aggregate, subject to any policy retentions or deductibles.

- B. Operator will carry Automobile Public Liability Insurance covering all owned, non-owned and hired vehicles with a combined single limit of liability for Bodily Injury and Property Damage in the amount of \$1,000,000.00 each accident, subject to any policy retentions or deductibles.
- C. At the sole discretion of the Operator, Operator may (but is not required to) obtain Control of Well insurance with limits, retentions and terms as determined by Operator.

If Operator obtains such insurance, Operator will provide each Non-Operator with the option of participating in such insurance coverage. Any Non-Operator who elects not to participate in this insurance must provide a certificate of insurance evidencing to Operator's satisfaction that the Non-Operator has obtained other similar coverage in a sufficient amount and scope. The Non-Operator must provide the certificate to Operator before the spud date of the well for which Operator obtained such insurance. All Non-Operators, except those that notify Operator that they are rejecting coverage and timely provide the required certificate of insurance, will be deemed to have elected to participate in Operator's coverage through the joint account.

- D. Operator will not carry physical damage insurance on jointly owned property. Each party is responsible for its own interest in such properties and will assume its portion of any loss that occurs. Each party waives its rights of recovery against all other parties to this operating agreement and agrees that all insurance covering its interest in the jointly owned property will be suitably endorsed to effectuate this waiver. Operator will promptly notify Non-Operators in writing of all losses involving damage in excess of \$10,000 to jointly owned property.
- E. The premium paid for insurance referred to in Paragraph A., B., C., D will be charged to the joint account.

The above provisions are subject to the following:

1. Operator is not a warrantor or a guarantor of the financial responsibility of the insurer with whom such insurance is carried and Operator will not be liable to any Non-Operator for any loss suffered on account of the insufficiency of the insurance actually obtained.
2. Operator is not required to carry any other insurance for the joint account.
3. Operator is entitled to self-insure any components of the above insurance requirements.
4. Liability, if any, for amounts over and above the limits and coverages carried for the benefit of the joint account will be borne by the parties to the operating agreement in the proportions to their respective interests in the leasehold estate subject to this operating agreement.
5. Operator will have no liability to a Non-Operator for any loss because of Operator's inability to procure or maintain the insurances mentioned above. If Operator is unable to obtain or maintain any of the above insurance coverages, Operator will endeavor to notify the Non-Operators of such fact. However, in no event will Operator be liable to the Non-Operators for any resulting loss, damage or expenses (whether covered by insurance or not) and all such losses, damages or expenses will be part of the operating expenses chargeable to the parties to this operating agreement in proportion to their respective interest in the leasehold estate subject to this operating agreement.

EXHIBIT "E"
PRE-UNITIZATION EXPENSES

Pre-Unitization Expenses shall include, but not necessarily be limited to, the following categories:

1. Pre-production and printing expenses related to unit agreements, engineering reports, legal opinions, operation agreements, and all other documents and instruments necessary for the formation of the Unit.
2. Postage for all mailings to involved working interest and mineral interest owners.
3. Recording fees, where applicable, for unitization agreements, ratifications, certificates, and other instruments that are required to be recorded in various places.
4. Actual expenses incurred by personnel directly involved in the formation of the Unit.
5. Telephone expenses that directly concern the acquisition of approvals or ratifications from the mineral estate and working interest owners.
6. Cost or rental of meeting rooms for Unit Committees when conducted outside the office of the working interest owners.
7. Salaries of operator's employees, consultants and outside counsel necessary to present the Application for Unitization to various governmental agencies having jurisdiction over these matters.
8. Cost of engineering work and contract land work, which may include curative work and any other items necessary to determine the feasibility of the Unit. In addition, expenses incurred for original title opinions, supplemental title opinions, and updates of title work as deemed necessary.
9. All costs involved to test existing wells to establish the value of such wells, including, but not limited to consulting fees attributed directly to such testing, and other expenditures necessary as a prelude to the formation of the Unit prior to the Effective Date of the Unit. By written mutual agreement, the working interest owners may limit the costs for testing that are categorized as Pre-Unitization expense.
10. Attorney's fees and other legal expenses incurred in connection with the formation of the Unit.
11. Any extraordinary costs not included in any of the above categories when authorized by the working interest owners by mutual agreement.
12. Acquisition of any leasehold or equipment for the specific account of any working interest owner prior to the formation of the Unit shall not be charged as a Pre-Unitization Expense, and any costs directly attributed to such acquisition for the benefit of a specific working interest owner shall also be excluded from the category of Pre-Unitization Expense.

EXHIBIT "F"

Mailing Address: Unit Petroleum Company, 7130 South Lewis Ave, Suite 1000, Tulsa, OK 74136

OIL AND GAS LEASE (PAID-UP)

AGREEMENT, Made and entered into this ____ day of ____, 2012, by and between _____ whose address is _____, party of the first part, hereinafter called Lessor (whether one or more), and Unit Petroleum Company, whose address is 7130 South Lewis Ave, Suite 1000, Tulsa, OK 74136, party of the second part, hereinafter called Lessee.

WITNESSETH, That the said Lessor, for and in consideration of TEN AND NO/100 DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including distillate and condensate), gas (including casinghead gas, coal gas and helium and all other constituents), and for laying pipelines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of _____, State of Oklahoma, described as follows, to wit:

of Section _____, Township _____, Range _____, and containing _____ acres, more or less.

It is agreed that this lease shall remain in force for a term of three (3) years from the above date (herein called primary term) and as long thereafter as oil or gas, or either of them, is produced from said land by the Lessee.

In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, the 1/8th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.

2nd. To pay Lessor for gas of whatsoever nature or kind (with all of its constituents) produced and sold, used off the premises, or in the manufacture of products therefrom, 1/8th of the gross proceeds received for the gas sold, used off the premises, or in the manufacture of products therefrom, but in no event more than 1/8th of the actual amount received by the Lessee, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production or oil or operation on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the anniversary date of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut in and thereafter on the anniversary date of this lease during the period such well is shut in, to the royalty owners. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.

3rd. To pay Lessor for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas, 1/8th of the gross proceeds, at the mouth of the well, received by Lessee for the gas during the time such gas shall be used, said payments to be made monthly.

If the Lessee shall commence to drill a well (including the re-entry of any previously abandoned well) or commence reworking operations on an existing well within the term of this lease or any extension thereof, or on acreage pooled therewith, the Lessee shall have the right to drill such well to completion or complete reworking operations with reasonable diligence and dispatch, and if oil or gas, or either of them, be found in paying quantities, this lease shall continue and be in force with like effect as if such well had been completed with the term of years first mentioned.

Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. Lessee shall file written designations in the County in which the lease premises are located. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.

If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for its operations thereon, except water from wells or surface ponds of Lessor.

When requested by the Lessor, Lessee shall bury his pipe lines below plow depth.

No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without the written consent of the Lessor.

Lessee shall pay for all damages caused by its operations to growing crops on said land.

Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment. Lessor shall be notified by being provided a copy of any assignments by Lessee.

All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation.

This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

IN TESTIMONY WHEREOF, I (we) sign this on the date set forth in the respective acknowledgment below.

(Lessor)

STATE OF _____)
) ss.
 COUNTY OF _____)

(ACKNOWLEDGMENT FOR TRUST)

Before me, the undersigned, a Notary Public, in and for said County and State, on this ____ day of _____, 201_, personally appeared _____, to me known to be the party who executed the within and foregoing instrument, and acknowledged to me that she executed the same as her free and voluntary act and deed as Trustee on behalf of the _____, and as the free and voluntary act and deed of such trust, for the uses and purposes therein set forth.

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

My Commission Expires: _____

Commission No. _____

 Notary Public

STATE OF _____)
) ss.
 COUNTY OF _____)

(ACKNOWLEDGMENT FOR INDIVIDUAL)

Before me, the undersigned, a Notary Public, in and for said County and State, on this ____ day of _____, 201_, personally appeared _____, personally known to me to be the identical person(s) who executed the within and foregoing instrument, and acknowledged to me that _____ executed the same as _____ free and voluntary act and deed, for the uses and purposes therein set forth.

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

My Commission Expires: _____

Commission No. _____

 Notary Public

STATE OF _____)
) ss.
 COUNTY OF _____)

(ACKNOWLEDGEMENT FOR CORPORATION)

On this ____ day of _____, 201_, before me a Notary Public, in and for said County and State aforesaid, personally appeared _____, to me known to be the identical person(s) who subscribed the name of the maker thereof to the foregoing instrument as its _____ and acknowledged to me that _____ executed the same as _____ 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 of office, the day and year last written above.

My Commission Expires: _____

Commission No. _____

 Notary Public

EXHIBIT B

Mineral Owners	Address
JKL Preisser	JKL Preisser 105 Southeast 130th Avenue Cunningham, KS 67035
KURT D.& ALYSSA PREISSER	Kurt D. Preisser 130159 Northeast 40th St. Cunningham, KS 67035
ALVA L. GASTON AND PHYLLIS A. GASTON REVOCABLE TRUST	Alva L. Gaston and Phyllis A. Gaston, Trustees of the Alva L. Gaston and Phyllis A. Gaston Revocable Trust dated April 30, 2002 27716 West Castleton Road Langdon, KS 67583
ALVA L. GASTON AND PHYLLIS A. GASTON REVOCABLE TRUST	Alva L. Gaston and Phyllis A. Gaston, Trustees of the Alva L. Gaston and Phyllis A. Gaston Revocable Trust dated April 30, 2002 27716 West Castleton Road Langdon, KS 67583
WILLIAM K. ROYCE & CLARE LYNN JOHNSON	William K. Royce - 7303 Larsen Ln; Shawnee, KS 66203 AND Clare Lynn Johnson - 7303 Larsen Ln; Shawnee, KS 66203
DANNY F. MAXWELL AND GEORGIA L. MAXWELL, H/W, JOINT TENANTS	P.O. Box 146; Partridge, KS 67566-0146
DANNY F. MAXWELL AND GEORGIA L. MAXWELL, H/W, JOINT TENANTS	P.O. Box 146; Partridge, KS 67566-0146
GILBERT D. CLOUSE (MCATEE)	7410 N. Monroe; Hutchinson, KS 67502
UNIFIED SCHOOL DISTRICT #310	16115 South Langdon Road; Langdon, KS 67583
JAMES J. HARRIS & JOYCE A. HARRIS	25812 W. Irish Creek Road, Langdon, KS 67583
SCHULTZ TRUST	Edwin G. Shultz Living Trust dated 8/28/1996 AND Theda J. Shultz Living Trust dated 8/28/1996 21417 W. Castleton Road Arlington, KS 67514
DAVID A. ZOLOTY	40W275 Carl Sandburg Rd; Saint Charles, IL 60175
JACQUELYN L. DAVIS & ELIZABETH D. ENOCH, SUCCESSOR TRUSTEES, PAIR OF JACKS FAMILY TRUST (AURELL)	1440 Gatewood #2; Wichita, KS 67206

DALE HANSEN	2516 South 383rd; Cheney, KS 67025
JOHN H SHAFFER TRUST	3916 Meadow Ridge Lane; Hutchinson, KS 67502
WILL OF G.H. GRIEVE	First National Bank of Pratt, Trustee under the Will of G. H. Grieve, deceased; 223 South Main Street - Pratt, KS 67124
MELVIN DEPPERSCHMIDT	918 South Elm Street; McPherson, KS 67460
MARK DEPPERSCHMIDT	918 South Elm Street; McPherson, KS 67460
BONNIE LOUISE BUTLER	11704 South Kent Road; Haven, KS 67543
JOHN H SHAFFER TRUST	3916 Meadow Ridge Lane; Hutchinson, KS 67502
JOHN H SHAFFER TRUST	3916 Meadow Ridge Lane; Hutchinson, KS 67502
UNION PACIFIC RAILROAD	Attn: Matt Kozisek - Manager: Real Estate Minerals; 1400 Douglas Street, Mail Stop 1690 - Omaha, NE 68179