

SEP 15 2014

2014.09.16 10:58:56  
Kansas Corporation Commission  
/S/ Thomas A. DayCONSERVATION DIVISION  
WICHITA, KSBEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	)	
OF LINN OPERATING, INC. FOR AN	)	DOCKET NO. 15-CONS- <u>235</u> -CUNI
ORDER PROVIDING FOR THE	)	
UNITIZATION AND UNIT OPERATION OF	)	
A PART OF THE HUGOTON AND	)	
PANOMA COUNCIL GROVE GAS FIELDS	)	
IN THE ALTERNATE TRACT UNIT	)	
DESCRIBED AS SECTION 6-27S-38W	)	OPERATOR NO. 33999
(SE/4), SECTION 5-27S-38W (SW/4),	)	CONSERVATION DIVISION
SECTION 8-27S-38W (NW/4), SECTION 7-	)	
27S-38W (NE/4) IN GRANT COUNTY,	)	
KANSAS (ATU 279)	)	

APPLICATION

COMES NOW, LINN OPERATING, Inc., 600 Travis, Suite 5100, Houston, TX 77002, Applicant herein and respectfully states to the Commission as follows:

1. The Applicant is the owner of oil and gas leasehold interests in Grant County, Kansas, and operates several wells producing in the subject area from the Chase and Council Grove Formations, which respectively comprise the Hugoton and Panoma Council Grove Gas Fields.

2. The Applicant proposes to unitize gas leasehold interests and operations in the area pursuant to K.S.A. 55-1304(a)(2) for the purpose of the unitized management, operation and further development of a part of the Hugoton and Panoma Council Grove Gas Fields, which is economically feasible and reasonably necessary to prevent waste within these gas pools and thereby increase substantially the ultimate recovery of gas therefrom.

3. The unit area of the proposed gas unit, which is termed an "Alternate Tract Unit" ("ATU") under the Basic Integrated Proration Order for the Hugoton Gas Field and the Panoma Council Grove Gas Field when formed thereunder as an approximate 640 acre square, is shown on the attached unit plat and is as follows:

Section 6: SE/4  
Section 5: SW/4  
Section 8: NW/4  
Section 7: NE/4

All in Township 27 South, Range 38 West, Grant County, Kansas.

4. The Applicant will be the unit operator.

5. The unitized formations to be unitized within the unit area are the subsurface portions of the Unit Area described as a part of the common sources of supply of gas underlying the Unit Area known as an Alternate Tract Unit, and more specifically defined as the Chase and Council Grove Formations found in said Unit Area which are encountered in the subsurface between the approximate depths of 2,700 and 3,000 feet. Said Unit Area is comprised of parts of these pools in the area producing from the Chase and Council Grove Formations.

6. The additional drilling of an alternate tract unit well on the unit area as described above is needed for the effective management, development and production in a part of the Hugoton and Panoma Council Grove Gas Fields to substantially increase and maximize the ultimate gas recovery from the unit area.

7. That the value of the estimated additional recovery of the hydrocarbons from these formations substantially exceeds the estimated additional cost incident to the conducting of such operations. The proposed operations as outlined in the unit agreement and the unit operating agreement are fair and equitable to all interest owners.

8. That attached hereto and incorporated herein by reference are the following exhibits comprising Applicant's Plan for Unit Operations:

A. Unit Agreement

B. Unit Operating Agreement (Excerpted A.A.P.L. Form 610-1982 Model Form Operating Agreement, entirety incorporated by reference.)

9. That said Plan, as required by statute, has been approved in writing by at least 63% of the persons required to pay the costs of the unit operation, whereas Applicant owns 100% working interest in the unit area tracts described above and the governmental sections contributing said unit area tracts, and by the owners of at least 75% 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.

10. That attached hereto and made a part of this Application, marked as Exhibit C, is a tabular listing of the names and addresses of all oil and gas lessees and other oil and gas interest owners owning interest in the unit area and affected sections whose names and addresses Applicant has been able to determine after diligent search and inquiry, which includes lessors, mineral owners and mortgagees of oil and gas interests of record. Pursuant to existing conventional unitization agreements, the working interests and royalty interests in the entirety of the four governmental sections

listed above are entitled to share in the production and proceeds from the subject alternate tract unit, thus are included on said tabular listing as parties in interest in this matter.

11. That Applicant has sent by regular mail a copy of this Application and Notice to all persons listed on the attached Exhibit C.

12. That Applicant is causing the Notice of Pending Application to be published as required by the Commission, in *The Wichita Eagle* and *The Ulysses News* newspapers.

13. Therefore, Applicant requests that after due notice the Commission issue its Order providing for the unitization and unit operation of the subject alternate tract unit pursuant to K.S.A. 55-1301, et seq.

WHEREFORE, Applicant prays that the Commission consider this matter pursuant to K.S.A. 77-537 and if no protest or request for hearing is received within fifteen (15) days of notice, the Commission issue its Order providing for the Unitization and the Unit Operation of the subject Alternate Tract Unit comprised of the above described lands, and providing for such other and further provisions and relief as may be deemed appropriate.

By 


Stanford J. Smith Jr.  
MARTIN, PRINGLE, OLIVER, WALLACE,  
& BAUER, L.L.P.  
100 North Broadway, Suite 500  
Wichita, KS 67202  
*Attorney for Applicant*

**VERIFICATION**

STATE OF KANSAS       )  
                                      ) ss:  
COUNTY OF SEDGWICK )

Stanford J. Smith, Jr., being of lawful age and being first duly sworn upon his oath, deposes and says:

That he is the attorney for LINN OPERATING, Inc.; he has read the above and foregoing Application and is familiar with the contents and that the statements made therein are true and correct to the best of this knowledge and belief.

  
\_\_\_\_\_  
Stanford J. Smith, Jr.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of September, 2014.

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

My Appointment Expires:

\_\_\_\_\_



**EXHIBIT A**

**UNIT AGREEMENT**

**ALTERNATE TRACT UNIT DESCRIBED AS:**

**SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),**

**SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)**

**GRANT COUNTY, KANSAS**

## **UNIT AGREEMENT**

**ALTERNATE TRACT UNIT DESCRIBED AS:  
SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),  
SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)  
GRANT COUNTY, KANSAS  
TABLE OF CONTENTS  
SECTION PAGE**

Preliminary Recitals 1

### **ARTICLE 1 DEFINITIONS**

- 1.1 Effective Date
- 1.2 Oil and Gas Rights
- 1.3 Outside Substances
- 1.4 Party
- 1.5 Royalty Interest
- 1.6 Royalty Owner
- 1.7 Tract
- 1.8 Tract Participation
- 1.9 Unit Area
- 1.10 Unit Equipment
- 1.11 Unit Expense
- 1.12 Unit Operations
- 1.13 Unit Operating Agreement
- 1.14 Unit Operator
- 1.15 Unit Participation
- 1.16 Unitized Formation
- 1.17 Unitized Substances
- 1.18 Working Interest
- 1.19 Working Interest Owner

### **ARTICLE 2 EXHIBITS**

- 2.1 Exhibits
  - 2.1.1 Exhibit A
  - 2.1.2 Exhibits B & B-1
- 2.2 Reference to Exhibits
- 2.3 Exhibits Considered Correct
- 2.4 Correcting Errors
- 2.5 Filing Revised Exhibits

**ARTICLE 3  
CREATION AND EFFECT OF UNIT**

- 3.1 Oil and Gas Rights Unitized
- 3.2 Personal Property Excepted
- 3.3 Amendment of Leases and Other Agreements
- 3.4 Continuation of Leases and Term Interests
- 3.5 Titles Unaffected by Unitization
- 3.6 Unitized Operation Rights
- 3.7 Development Obligation
- 3.8 Cooperative Agreements

**ARTICLE 4  
PLAN OF OPERATIONS**

- 4.1 Unit Operator
- 4.2 Method of Operation
- 4.3 Change of Method of Operation

**ARTICLE 5  
TRACT PARTICIPATIONS**

- 5.1 Tract Participations
- 5.2 Relative Tract Participations

**ARTICLE 6  
ALLOCATION OF UNITIZED SUBSTANCES**

- 6.1 Allocation to Tracts
- 6.2 Distribution Within Tracts
- 6.3 Taking Unitized Substances in Kind
- 6.4 Failure to Take in Kind
- 6.5 Responsibility for Royalty Settlements
- 6.6 Royalty on Outside Substances

**ARTICLE 7  
PRODUCTION AS OF THE EFFECTIVE DATE**

- 7.1 Unitized Substances
- 7.2 Overproduction

**ARTICLE 8  
USE OR LOSS OF UNITIZED SUBSTANCES**

- 8.1 Use of Unitized Substances
- 8.2 Royalty Payments

**ARTICLE 9  
TITLES**

- 9.1 Warranty and Indemnity

- 9.2 Production Where Title is in Dispute
- 9.3 Payment of Taxes to Protect Title
- 9.4 Transfer of Title

## **ARTICLE 10 EASEMENTS OR USE OF SURFACE**

- 10.1 Grant of Easements
- 10.2 Use of Water
- 10.3 Surface Damages

## **ARTICLE 11 CHANGES AND AMENDMENTS**

- 11.1 Changes and Amendments

## **ARTICLE 12 RELATIONSHIP OF PARTIES**

- 12.1 No Partnership
- 12.2 No Joint Refining or Marketing
- 12.3 Royalty Owners Free of Unit Expense

## **ARTICLE 13 LAWS AND REGULATIONS**

- 13.1 Laws and Regulations
- 13.2 Governing Law

## **ARTICLE 14 FORCE MAJEURE**

- 14.1 Force Majeure

## **ARTICLE 15 EFFECTIVE DATE**

- 15.1 Effective Date
- 15.2 Ipso Facto Termination
- 15.3 Certificate of Effectiveness

## **ARTICLE 16 TERM**

- 16.1 Term
- 16.2 Termination by Unit Operator
- 16.3 Effect of Termination
- 16.4 Salvaging Equipment Upon Termination
- 16.5 Certificate of Termination

**ARTICLE 17**  
**EXECUTION**

- 17.1 Original, Counterpart, or Other Instrument
- 17.2 Joinder in Dual Capacity

**ARTICLE 18**  
**DETERMINATIONS BY WORKING INTEREST OWNERS**

- 18.1 Determinations by Unit Operator

**ARTICLE 19**  
**GENERAL**

- 19.1 Amendments Affecting Unit Operator
- 19.2 Action by Royalty Owners
- 19.3 Lien and Security Interest of Unit Operator
- 19.4 Heading for Convenience
- 19.5 Severability of Provisions

**ARTICLE 20**  
**SUCCESSORS AND ASSIGNS**

- 20.1 Successors and Assigns

## UNIT AGREEMENT

### ALTERNATE TRACT UNIT DESCRIBED AS

SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),

SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)

### GRANT COUNTY, KANSAS

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by the Parties who have consented in writing to be bound hereunder for the conduct of Unit Operations, or so bound by the Order of the Kansas Corporation Commission issued pursuant to the Kansas Statutes Annotated, Section 55-1301, et seq.,

#### WITNESSETH:

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the Hugoton Field and Panoma Council Grove Field, in part in Grant County, Kansas, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formations in order to conduct Unit Operations as herein provided, pursuant to Kansas Statutes Annotated, Section 55-1301, et seq., or by unanimous approval of all Royalty Owners provided to the Unit Operator as sole Working Interest Owner.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

#### ARTICLE 1 DEFINITIONS as used in this Agreement:

- 1.1 **Effective Date** is the time and date this Agreement becomes effective, as provided in Article 15.1.
- 1.2 **Oil and Gas Rights** are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.
- 1.3 **Outside Substances** are all substances purchased or otherwise obtained for a consideration by Unit Operator and introduced into the Unitized Formation.
- 1.4 **Party** is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formation.
- 1.5 **Royalty Interest** is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.
- 1.6 **Royalty Owner** is a Party hereto who owns a Royalty Interest.



- 1.7 **Tract** is the land described as such and given a tract number in "Exhibit B".
- 1.8 **Tract Participation** is the percentage shown on "Exhibit B" and "Exhibit B-1" for allocating Unitized Substances to a Tract.
- 1.9 **Unit Area** is the land described by Tracts in "Exhibit B" and "Exhibit B-1" and shown on "Exhibit A" as to which this Agreement becomes effective or to which it may be extended as herein provided.
- 1.10 **Unit Equipment** is 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.
- 1.11 **Unit Expense** is all cost, expense, or indebtedness incurred by the Unit Operator as sole Working Interest Owner pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.
- 1.12 **Unit Operations** are all operations conducted pursuant to this Agreement and the Unit Operating Agreement.
- 1.13 **Unit Operating Agreement** is the agreement entered into by the Working Interest Owner, having the same Effective Date as this Agreement, and entitled "Unit Operating Agreement for Alternate Tract Unit described as Section 6-27S-38W (SE/4), Section 5-27S-38W (SW/4), Section 8-27S-38W (NW/4), Section 7-27S-38W (NE/4), Grant County, Kansas", and with this Agreement constitutes the Plan for Unit Operations.
- 1.14 **Unit Operator** is the sole Working Interest Owner under the Unit Operating Agreement to conduct Unit Operations, but acting as operator and not as Working Interest Owner.
- 1.15 **Unit Participation** of the Unit Operator as the Working Interest Owner is the entirety of the Working Interest singularly held in the Unit Area for Tract Participation of such Tract.
- 1.16 **Unitized Formations** is the subsurface portion of the Unit Area described as the common sources of supply of oil and gas underlying the Unit Area known as the Alternate Tract Unit described as:
- Section 6-27S-38W (SE/4), Section 5-27S-38W (SW/4),  
Section 8-27S-38W (NW/4), Section 7-27S-38W (NE/4)
- all in Grant County, Kansas, and more specifically identified as the Chase and Council Grove Formations.
- 1.17 **Unitized Substances** are all natural gas, gaseous substances, sulfur and helium contained in gas, and all associated and constituent gaseous hydrocarbons other than Outside Substances within or produced from the Unitized Formation.
- 1.18 **Working Interest** is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof. A Royalty Interest created out of a Working Interest subsequent to the execution of

this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

- 1.19 **Working Interest Owner** is the Party hereto who owns the Working Interest.

## **ARTICLE 2 EXHIBITS**

- 2.1 **Exhibits.** The following exhibits, which are attached hereto, are incorporated herein by reference:
- 2.1.1 **“Exhibit A”** is a map that shows the boundary lines of the Alternate Tract Unit Area and the Tracts therein.
- 2.1.2 **“Exhibits B and B-1”** are schedules that describe each Tract in the Alternate Tract Unit Area and shows its Tract Participation by Working Interest and Royalty Interest.
- 2.2 **Reference to Exhibits.** When reference is made to an exhibit, it is to the exhibit as originally attached or, if revised, to the last revision.
- 2.3 **Exhibits Considered Correct.** “Exhibit A”, “Exhibit B” and “Exhibit B-1” shall be considered to be correct until revised as herein provided.
- 2.4 **Correcting Errors.** The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse Royalty Interest ownership on the Effective Date, should have been divided into more than one Tract, or that any mechanical miscalculation or clerical error has been made, Unit Operator shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Unit Operator and set forth in the revised exhibit.
- 2.5 **Filing Revised Exhibits.** If an exhibit is revised, Unit Operator shall execute an appropriate instrument stating the effective date for the revised exhibit with the revised exhibit attached stating the effective date for the revised exhibit and file the same with the Kansas Corporation Commission.

## **ARTICLE 3 CREATION AND EFFECT OF UNIT**

- 3.1 **Oil and Gas Rights Unitized.** All Oil and Gas Rights of Royalty Owners in and to the lands described in “Exhibit B-1”, and all Oil and Gas Rights of the Working Interest Owner in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formations, so that Unit Operations may be conducted with respect to the Unitized Formations as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of the Working Interest Owner, as lessee, and as if the lease contained all of the provisions of this Agreement.

- 3.2 **Personal Property Excepted.** All lease and well equipment, materials, and other facilities heretofore or hereafter placed by the Working Interest Owner on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owner.
- 3.3 **Amendment of Leases and Other Agreements.** The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in full force and effect. Royalty Owners agree that any default, forfeiture, or penalty provision in any such oil and gas lease or other contract shall be suspended and of no force or effect during the term of this Agreement.
- 3.4 **Continuation of Leases and Term Interests.** Production from any part of the Unitized Formations, except for the purpose of determining payments to Royalty Owners, or other Unit Operations shall be considered as production from or operations upon each Tract, and such production or operations shall continue in effect each lease or term mineral or royalty interest as to all lands and formations covered thereby just as if such operations were conducted on and as if a well were producing from each Tract.
- 3.5 **Titles Unaffected by Unitization.** Nothing herein shall be construed to result in the transfer of title to Oil and Gas Rights by any Party to any other Party or to Unit Operator.
- 3.6 **Unitized Operation Rights.** Royalty Owners hereby grant the Working Interest Owner the right to conduct unitized management, operation and further development of the Unitized Formations as economically feasible and reasonably necessary to prevent the waste of Unitized Substances in the Unitized Formations and thereby substantially increase the ultimate recovery of Unitized Substances therefrom, together with the right to drill, use, and maintain injection wells on the Unit Area, and to use for injection purposes any nonproducing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formation.
- 3.7 **Development Obligation.** Nothing herein shall relieve the Working Interest Owner from any obligation to reasonably develop the lands and leases committed hereto, except as the same may conflict with the provisions hereof and Unit Operations which may be conducted hereunder.
- 3.8 **Cooperative Agreements.** Unit Operator may enter into cooperative agreements with respect to lands adjacent to the Unit Area for the purpose of coordinating operations.

#### **ARTICLE 4 PLAN OF OPERATIONS**

- 4.1 **Unit Operator.** LINN OPERATING, Inc. is hereby designated as the Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such Agreements, this Agreement shall govern.
- 4.2 **Method of Operation.** To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, the Working Interest Owner shall, with diligence and in accordance with good engineering and production practices, engage in unitized management, operation and further development of the Unitized Formations to efficiently and economically increase the ultimate recovery of Unitized Substances.

- 4.3 **Change of Method of Operation.** Nothing herein shall prevent the Working Interest Owner from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer appropriate or in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by the Working Interest Owner from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances, consistent with Kansas Statutes Annotated, Section 55-1304(a)(2).

## **ARTICLE 5 TRACT PARTICIPATIONS**

- 5.1 **Tract Participations.** The Tract Participations of each Tract are shown on "Exhibit B" and "Exhibit B-1". The Tract Participations as shown in said Exhibits are accepted and approved by the approving Parties hereto as being fair and equitable. The Unitized Substances produced from the Alternate Tract Unit Well drilled hereunder shall be allocated among the Parties according to the respective Tract Participations.
- 5.2 **Relative Tract Participations.** If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

## **ARTICLE 6 ALLOCATION OF UNITIZED SUBSTANCES**

- 6.1 **Allocation to Tracts.** All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the Alternate Tract Unit Well shall be deemed for all purposes to have been produced from such Tract.
- 6.2 **Distribution Within Tracts.** The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the Parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.
- 6.3 **Taking Unitized Substances in Kind.** The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such Parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion of Unitized Substances.

- 6.4 **Failure to Take in Kind.** If any Party fails to take in kind or separately dispose of such Party's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the Party owning the share, to purchase or sell to others such share; however, all contracts of sale by Unit Operator of any other Party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one (1) year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Parties entitled thereto.
- 6.5 **Responsibility for Royalty Settlements.** Unit Operator shall be responsible for the payment of all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of the proceeds from the sale of Unitized Substances, and shall indemnify all Parties hereto against any liability for such payment.
- 6.6 **Royalty on Outside Substances.** Unit Operator does not anticipate the injection of Outside Substance, consisting of natural gases or otherwise, into the Unitized Formation. In any event, no payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances.

## ARTICLE 7 PRODUCTION AS OF THE EFFECTIVE DATE

- 7.1 **Unitized Substances.** Unit Operator shall pay royalty due hereunder on produced Unitized Substances after the Effective Date according to Tract Participation.
- 7.2 **Overproduction.** If, as of the Effective Date, any Tract is subject to a regulatory constraint on its gas allowable and is overproduced with respect to said allowable of the wells on that Tract, and if the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the Effective Date and shall be charged to such Tract as having been delivered to the Parties entitled to Unitized Substances allocated to such Tract.

## ARTICLE 8 USE OR LOSS OF UNITIZED SUBSTANCES

- 8.1 **Use of Unitized Substances.** Unit Operator may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.
- 8.2 **Royalty Payments.** No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

## ARTICLE 9 TITLES

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

9.2 **Production Where Title is in Dispute.** If the title or right of any Party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator shall either:

- (a) require that the Party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such Party fails in whole or in part, or
- (b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise, whereupon the proceeds so impounded shall be paid to the Party rightfully entitled thereto.

9.3 **Payment of Taxes to Protect Title.** The owner of surface rights to lands within the Unit Area, or severed mineral interests or Royalty Interests in such lands, or lands outside the Unit Area on which Unit Equipment is located, is responsible for the payment of any ad valorem taxes on all such rights, interests, or property, unless such owner and Working Interest Owners otherwise agree. If any ad valorem taxes are not paid by or for such owner when due, Unit Operator may, at any time prior to tax sale or expiration of period of redemption after tax sale, pay the tax, redeem such rights, interests, or property, and discharge the tax lien.

Any such payment shall be an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the cost of such payment or redemption, such withholding to be credited to the Unit Operator as the Working Interest Owner. Such withholding shall be without prejudice to any other remedy available to Unit Operator as the Working Interest Owner.

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

## **ARTICLE 10 EASEMENTS OR USE OF SURFACE**

10.1 **Grant of Easements.** Unit Operator shall have the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area; however, nothing herein shall be construed as leasing or otherwise conveying to Unit Operator a campsite or a plant site for water injection, gas injection, or gas processing.

10.2 **Use of Water.** Unit Operator shall have and is hereby granted free use of non-potable water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner. Unit Operator may convert dry or abandoned wells in the Unit Area for use as water supply or disposal wells.

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



**ARTICLE 11  
CHANGES AND AMENDMENTS**

- 11.1 **Changes and Amendments.** Any change of the Unit Area or any amendment to this Agreement or the Unit Operating Agreement shall be in accordance with Kansas Statutes Annotated, Section 55-1301, et seq., unless such change or amendment is approved in writing by all Royalty Owners.

**ARTICLE 12  
RELATIONSHIP OF PARTIES**

- 12.1 **No Partnership.** The duties, obligations, and liabilities of the Parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to anyone or more of the Parties hereto. Each Party hereto shall be individually responsible for its own obligations as herein provided.
- 12.2 **No Joint Refining or Marketing.** This Agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.
- 12.3 **Royalty Owners Free of Unit Expense.** This Agreement shall not be construed to impose upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is otherwise so obligated.

**ARTICLE 13  
LAWS AND REGULATIONS**

- 13.1 **Laws and Regulations.** This Agreement shall be subject to all applicable federal, state, and municipal laws, rules, regulations, and orders.
- 13.2 **Governing Law.** This Agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the laws of the state in which the Unit Area is located.

**ARTICLE 14  
FORCE MAJEURE**

- 14.1 **Force Majeure.** If any Party is rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments that Party shall give to all other Parties prompt written notice of the force majeure with reasonably full particulars concerning the force majeure. Thereupon, the obligations of the Party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected Party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable, but neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of the suspension of Unit Operations due to the occurrence of any event(s) of force majeure. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party contrary to its wishes, and the manner in which all such difficulties shall be handled shall be entirely within the discretion of the Party concerned. The term "force majeure," as here employed, shall mean any

act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockage, public riot, lightning, fire, storm, flood, explosion, governmental laws, rules, regulations, orders, action, delay, restraint or inaction, unavailability of equipment, or inability to secure materials, or any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party claiming suspension.

## **ARTICLE 15 EFFECTIVE DATE**

- 15.1 **Effective Date.** This Agreement shall become effective as of the date the Kansas Corporation Commission issues its Order approving this Unit Agreement for the subject Alternate Tract Unit; provided, however, in the event that this Agreement has been approved in writing by all Royalty Owners, all provisions of this Agreement pertaining to Regulatory approval shall be considered deleted.
- 15.2 **Ipsa Facto Termination.** If this Alternate Tract Unit is not made effective within six (6) months after the date of issuance of the Order of the Kansas Corporation Commission approving same, because prior thereto Working Interest Owners owning a combined Unit Participation of at least seventy-five percent (75%) have not become Parties to this Agreement, this Agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect. If the Unit Operator seeks from the Commission for good cause an extension of the termination date for a period not to exceed two (2) months, and the termination date is so extended, but this unit is not made effective on or before the extended termination date, this Agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this Section, Unit Participation shall be as calculated on the basis of Tract Participations shown on the original "Exhibit B" and "Exhibit B-1."
- 15.3 **Certificate of Effectiveness.** Upon this unit going into effect, the Unit Operator shall promptly file with the Kansas Corporation Commission a certificate stating the Effective Date.

## **ARTICLE 16 TERM**

- 16.1 **Term.** The term of this Agreement, unless sooner terminated in the manner hereinafter provided, shall be for and during the time that Unitized Substances are produced in paying quantities without a cessation of more than ninety (90) consecutive days, or so long as other Unit Operations are conducted without a cessation of more than ninety (90) consecutive days.
- 16.2 **Termination by Unit Operator.** This Agreement may be terminated by the Unit Operator as the Working Interest Owner with Unit Participation of one hundred percent (100%) whenever the Unit Operator determines that Unit Operations are no longer profitable or feasible.
- 16.3 **Effect of Termination.** Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, and Unit Operations shall cease. Each oil and gas lease and other agreement covering lands within the Unit Area shall remain in force for sixty (60) days after the date on which this Agreement terminates, and for such further period as is provided by the lease or other agreement.
- 16.4 **Salvaging Equipment Upon Termination.** If not otherwise granted by the leases or other instruments affecting the separate Tracts, Unit Operator shall have a period of six (6) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

- 16.5 **Certificate of Termination.** Upon termination of this Agreement, Unit Operator shall submit to the Kansas Corporation Commission a certificate stating that this Agreement has terminated, stating its termination date.

## **ARTICLE 17 EXECUTION**

- 17.1 **Original, Counterpart, or Other Instrument.** An owner of Oil and Gas Rights may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument and shall constitute approval of the entire Plan composed of this Agreement and the Unit Operating Agreement.
- 17.2 **Joinder in Dual Capacity.** Execution as herein provided by any Party as either the Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such Party.

## **ARTICLE 18 DETERMINATIONS BY WORKING INTEREST OWNERS**

- 18.1 **Determinations by Unit Operator.** All decisions, determinations, or approvals by Unit Operator shall be made pursuant to this Agreement and consistent with the Unit Operating Agreement, as may be applicable, unless otherwise provided herein.

## **ARTICLE 19 GENERAL**

- 19.1 **Amendments Affecting Unit Operator.** Amendments hereto relating wholly to Unit Operator may be made at Unit Operator's sole discretion with a vote of Royalty Owners unless otherwise provided herein.
- 19.2 **Action by Royalty Owners.** Except as otherwise provided in this Agreement, any action or approval required by Royalty Owners hereunder shall be in accordance with the provisions of this Agreement and the Unit Operating Agreement, as may be applicable.
- 19.3 **Lien and Security Interest of Unit Operator.** Whereas Unit Operator is the sole Working Interest Owner, Unit Operator shall have a lien upon and a security interest in the interests of the Royalty Owners in the Unit Area only to any extent provided by law.
- 19.4 **Headings for Convenience.** Except for the headings contained in Article 1, the headings and table of contents used in this Agreement are inserted for convenience only and shall be disregarded in construing this Agreement.
- 19.5 **Severability of Provisions.** The provisions of this Agreement are severable and if any section, sentence, clause or part thereof is held to be invalid for any reason, such invalidity shall not be construed to affect the validity of the remaining provisions of this Agreement.

**ARTICLE 20**  
**SUCCESSORS AND ASSIGNS**

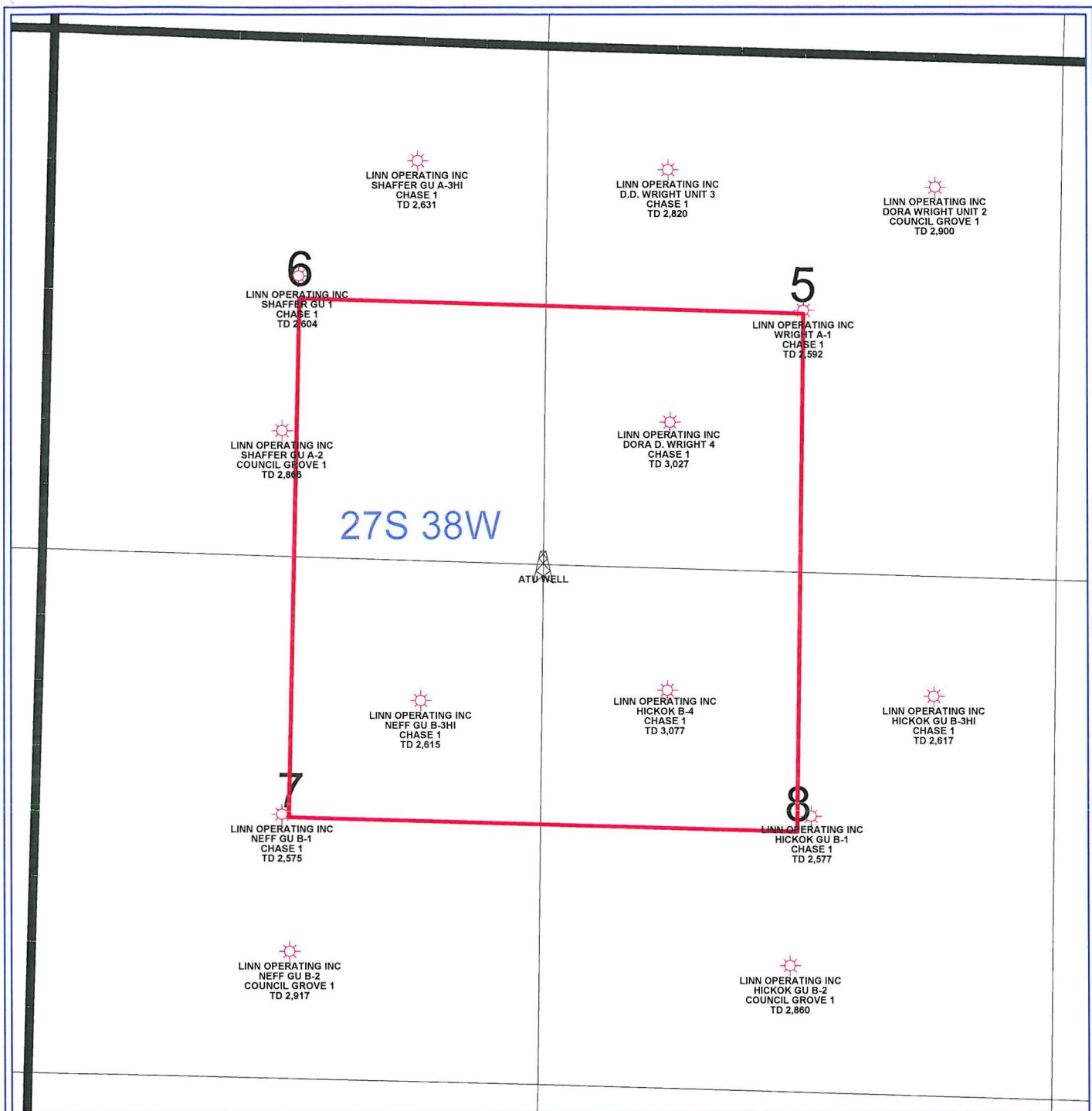
- 20.1 **Successors and Assigns.** This Agreement shall extend to, be binding upon, and inure to the benefit of the Parties hereto and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

“EXHIBIT A”  
TO  
UNIT AGREEMENT  
ALTERNATE TRACT UNIT DESCRIBED AS:  
SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),  
SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)  
GRANT COUNTY, KANSAS

MAP OR PLAT OF UNIT AREA

Showing:

1. Outline of Alternate Tract Unit Area delineated by heavy or hatched line.
2. Tract boundary lines as defined by section boundary lines and Outline of Unit Area.
3. Sections, townships ranges, surveys blocks, lots, etc. as applicable, with applicable legend.
4. Wells completed in the Unitized Formations and general location of proposed Alternate Tract Unit Well.



PETRA 4/29/2013 4:00:37 PM

LINN Operating Inc

Hugoton Kansas

ATU Location

Grant Co. 27S - 38W



WELL SYMBOLS  
ATU Well Location  
Gas Well



“EXHIBIT B”  
TO  
UNIT AGREEMENT  
ALTERNATE TRACT UNIT DESCRIBED AS:  
SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),  
SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)  
GRANT COUNTY, KANSAS

TRACTS AND TRACT PARTICIPATION

WORKING INTEREST:

Tract No.	Tract Operator	Description	Acres	Tract Participation Percentages
1	LINN OPERATING, Inc.	SECTION 6-27S-38W (SE/4)	160	25.00%
2	LINN OPERATING, Inc.	SECTION 5-27S-38W (SW/4)	160	25.00%
3	LINN OPERATING, Inc.	SECTION 8-27S-38W (NW/4)	160	25.00%
4	LINN OPERATING, Inc.	SECTION 7-27S-38W (NE/4)	160	25.00%
		<b>Total</b>	<b>640</b>	<b>100.00%</b>

ROYALTY INTEREST:

SEE ATTACHED “EXHIBIT B-1”: ALTERNATE TRACT UNIT DESCRIBED AS:  
SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),  
SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)  
ROYALTY INTEREST PARTICIPATION

NOTE: The royalty interests listed on Exhibit B-1 include all royalty interests in the four sections contributing acreage to the ATU, since existing communitization agreements require royalties to be paid by proportionate allocation to all royalty interests in said sections according to respective royalty interest in the ATU and thus said interests have been given the right to consent to the formation of the ATU, and further, have been given notice of filing and hearing on this Application to form said ATU pursuant to K.S.A. 55-1301, et seq.

"Exhibit B-1"  
Proposed Alternate Tract Unit  
Section 6-275-38W (SE/4), Section 5-275-38W (SW/4),  
Section 8-275-38W (NW/4), Section 7-275-38W (NE/4)  
Grant County, Kansas

Owner Name	Address	CSZ	Interest Type	Section 6	Section 5	Section 8	Section 7	Total	Allocation	Date ATU Signed	% ATU Signed	County, State	STR	Legal Suspense
BEYMER & BEYMER INC	PO BOX 363	LAKIN, KS 67860-0363	R1											
LEVENT KECIK	705 SUNSET HILL	ROCKWALL, TX 75087	R1	0.00326220				0.00326220	0.649540%	11/8/2013	0.649540%	Grant,KS	6-027-S-038-W	PAY
ARKOMA BASIN MINERALS INC	203 E INTERSTATE 30	ROCKWALL, TX 75087-5402	R1	0.00015850				0.00015850	0.031559%	12/2/2013	0.031559%	Grant,KS	6-027-S-038-W	PAY
MAP MRP AN OKLAHOMA GENERAL PARTNER	PO BOX 269031	OKLAHOMA CITY, OK 73126-9031	R1	0.00051210				0.00051210	0.101965%	11/11/2013	0.101965%	Grant,KS	6-027-S-038-W	PAY
CHESAPEAKE EXPLORATION LLC	PO BOX 960161	OKLAHOMA CITY, OK 73196-0161	R1	0.00236908				0.00236908	0.471710%	11/14/2013	0.471710%	Grant,KS	6-027-S-038-W	PAY
DONNA M BURK	405 BIRKDALE CIRCLE	GREENVILLE, NC 27834	R1	0.00054860				0.00054860	0.109232%			Grant,KS	6-027-S-038-W	PAY
DONNA M BURK	405 BIRKDALE CIRCLE	GREENVILLE, NC 27834	R2	0.00307433				0.00307433	0.612133%			Grant,KS	6-027-S-038-W	PAY
PATRICIA M ROSS	2511 PARK RIDGE COURT	CREST HILL, IL 60403	R2	0.00307433				0.00307433	0.612133%			Grant,KS	6-027-S-038-W	PAY
PATRICIA M ROSS	2511 PARK RIDGE COURT	CREST HILL, IL 60403	R1	0.00307433				0.00307433	0.612133%	11/15/2013	0.612133%	Grant,KS	6-027-S-038-W	PAY
KIM M DAETZ	48 STEEPLECHASE COURT	OCEANPORT, NJ 07757-1182	R1	0.00307434				0.00307434	0.612135%	11/15/2013	0.612135%	Grant,KS	6-027-S-038-W	PAY
KIM M DAETZ	48 STEEPLECHASE COURT	OCEANPORT, NJ 07757-1182	R2	0.00307433				0.00307433	0.612133%	11/25/2013	0.612133%	Grant,KS	6-027-S-038-W	PAY
JOHN L BALDWIN ESTATE	ROSEANNE BALDWIN EXECUTOR 7315 N HENDRICKS	HUTCHINSON, KS 67502	R1	0.00307434				0.00307434	0.612135%	11/25/2013	0.612135%	Grant,KS	6-027-S-038-W	PAY
JIM D BALDWIN TRUST	JIM D BALDWIN TRUSTEE 706 GOLF CLUB DR	CASTLE PINES VILLAGE, CO 80104	R1	0.00368924				0.00368924	0.734569%			Grant,KS	6-027-S-038-W	PAY
FLOYD G KNOX	202 MADISON	HUGOTON, KS 67951-2532	R1	0.00299220				0.00299220	0.595780%	11/20/2013	0.595780%	Grant,KS	6-027-S-038-W	PAY
JANETTE MCCULLOUGH, LIVING TRUST	JANETTE & KENT MCCULLOUGH TRUSTEES 1036 SUNSET DR	LAWRENCE, KS 66044	R1	0.00368924				0.00368924	0.734569%	11/26/2013	0.734569%	Grant,KS	6-027-S-038-W	PAY
DOUGLAS R PANNING	126 SE 130 AVE	ELLINWOOD, KS 67526	R1	0.00922310				0.00922310	1.836422%	11/9/2013	1.836422%	Grant,KS	6-027-S-038-W	PAY
MARVIN D PANNING	PO BOX 579	GREAT BEND, KS 67530	R1	0.00922310				0.00922310	1.836422%	11/21/2013	1.836422%	Grant,KS	6-027-S-038-W	PAY
JOAN S MURPHY	129 W 50TH	MINNEAPOLIS, MN 55419-1307	R1	0.00368924				0.00368924	0.734569%	12/4/2014	0.734569%	Grant,KS	6-027-S-038-W	PAY
ANDREW JOHN DEL MASTRO	2714 SANTA MONICA SE	ALBUQUERQUE, NM 87106	R1	0.00922310				0.00922310	1.836422%			Grant,KS	6-027-S-038-W	PAY
JOAN E BLISS	2928 LAUREL ST	SAN DIEGO, CA 92104	R1	0.00922310				0.00922310	1.836422%			Grant,KS	6-027-S-038-W	PAY
HUGOTON VI	C/O JP MORGAN CHASE BANK P O DRAWER 99084	FORT WORTH, TX 76199-0084	R1	0.00860352				0.00860352	1.713057%			Grant,KS	6-027-S-038-W	PAY
SMITH FAMILY TRUST	LEAH JACQUELINE SMITH TRUSTEE THE HALLMARK 4716 HALLMARK DR #108	HOUSTON, TX 77056-0149	R1	0.01638460				0.01638460	3.262356%			Grant,KS	6-027-S-038-W	PAY
BALDWIN 2001 REVOCABLE TRUST	EMMA M BALDWIN TRUSTEE 10909 JASMINE CREST LN	SAN DIEGO, CA 92121	R1	0.00368924				0.00368924	0.734569%	11/22/2013	0.734569%	Grant,KS	6-027-S-038-W	PAY
JAMES ERNEST LEWIS JR	PO BOX 232	PENN VALLEY, CA 95946	R1	0.00546153				0.00546153	1.087451%			Grant,KS	6-027-S-038-W	PAY
KATHERINE JOAN LEWIS	820 SOUTH BOULEVARD	TAMPA, FL 33608	R1	0.00546153				0.00546153	1.087451%			Grant,KS	6-027-S-038-W	PAY
LEWIS-KENNY FAMILY LLC	PO BOX 3480	OMAHA, NE 68103-0480	R1	0.00546154				0.00546154	1.087453%	7/16/2014	1.087453%	Grant,KS	6-027-S-038-W	PAY
BLACK STONE NATURAL RESOURCES I, LP	1001 FANNIN STE 2020	HOUSTON, TX 77002-6715	R1					0.12500000	24.888891%	11/8/2013	24.888891%	Grant,KS	5-027-S-038-W	PAY
MITCHELL MINERALS LLC	PO BOX 486	HENRYETTA, OK 74437	R1				0.00223220	0.00223220	0.444456%	7/11/2014	0.444456%	Grant,KS	8-027-S-038-W	PAY

"Exhibit B-1"  
Proposed Alternate Tract Unit  
Section 6-27S-38W (SE/4), Section 5-27S-38W (SW/4),  
Section 8-27S-38W (NW/4), Section 7-27S-38W (NE/4)  
Grant County, Kansas

ROTH FAMILY MINERAL INTERESTS LLC	49295 COUNTY ROAD W	ARAPAHOC, CO 80802	R1				0.00223210	0.00223210	0.444436%	11/11/2013	0.444436%	Grant,KS	8-027-S-038-W	PAY	
SHIRLEY M SMITH , TRUST	JOHN B & SHIRLEY M SMITH COTRUSTEES PO BOX 129	ELKHART, KS 67950-0129	R1				0.00195315	0.00195315	0.388884%	11/26/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
SANDHILL FARMS	C/O JENNY KASSELMAN 1360 NE 10 ROAD	ELLINWOOD, KS 67526-9055	R1				0.00223210	0.00223210	0.444436%	11/8/2013	0.444436%	Grant,KS	8-027-S-038-W	PAY	
DONALD G ROTH	410 W 3RD ST	ELLINWOOD, KS 67526	R2				0.00223210	0.00223210	0.444436%	11/12/2013	0.444436%	Grant,KS	8-027-S-038-W	PAY	
THOMAS L ROTH	3131 E ALAMEDA, #1808	DENVER, CO 80209	R1				0.00223210	0.00223210	0.444436%	7/14/2014	0.444436%	Grant,KS	8-027-S-038-W	PAY	
SHIRLEY TUNG	502 LARCHWOOD AVE	UPPER DARBY, PA 19062-2020	R1				0.00223220	0.00223220	0.444456%	7/24/2014	0.444456%	Grant,KS	8-027-S-038-W	PAY	
CAROL JEAN NAVE	705 MAIN ST UNIT 802	HOUSTON, TX 77002	R2				0.00195310	0.00195310	0.388884%	11/14/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
CAROL JEAN NAVE	705 MAIN ST UNIT 802	HOUSTON, TX 77002	R1				0.00325530	0.00325530	0.648166%	11/14/2013	0.648166%	Grant,KS	8-027-S-038-W	PAY	
JAMES GALEN HICKOK	910 W WHEAT	ULYSSES, KS 67880-1648	R2				0.00195310	0.00195310	0.388884%	11/12/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
JAMES GALEN HICKOK	910 W WHEAT	ULYSSES, KS 67880-1648	R1				0.00325520	0.00325520	0.648147%	11/12/2013	0.648147%	Grant,KS	8-027-S-038-W	PAY	
JOSANDRA C BARNES	2616 STRATFORD RD	LAWRENCE, KS 66049	R1				0.00781250	0.00781250	1.555556%	11/27/2013	1.555556%	Grant,KS	8-027-S-038-W	PAY	
HOWARD C SMITH TRUST	HOWARD C & JANIS R SMITH CO-TR PO Box 1350	ELKHART, KS 67950	R1				0.00195310	0.00195310	0.388884%	11/13/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
JOHN B SMITH , TRUST	JOHN B AND SHIRLEY M SMITH CO-TRUST PO BOX 129	ELKHART, KS 67950-0129	R1				0.00195315	0.00195315	0.388884%	11/26/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
NANCY HICKOK YOUNG	PO Box 847	ULYSSES, KS 67880	R2				0.00195310	0.00195310	0.388884%	11/15/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
NANCY HICKOK YOUNG	PO Box 847	ULYSSES, KS 67880	R1				0.00325520	0.00325520	0.648147%	11/15/2013	0.648147%	Grant,KS	8-027-S-038-W	PAY	
PAMELA K LOUCKS	324 CASITAS BULEVAR	LOS GATOS, CA 95032	R1				0.00781250	0.00781250	1.555556%			Grant,KS	8-027-S-038-W	PAY	
REBECCA RUTH PERRY	7215 MANOR OAKS DR	RALEIGH, NC 27615-5580	R1				0.06250000	0.06250000	12.444446%	11/17/2013	12.444446%	Grant,KS	8-027-S-038-W	PAY	
OLGA E SMITH TRUST	OLGA E SMITH JOHN B SMITH AND HOWARD C SMITH CO TRUSTEES PO Box 917	ELKHART, KS 67950	R1				0.00781250	0.00781250	1.555556%	11/26/2013	1.555556%	Grant,KS	8-027-S-038-W	PAY	
JANIS R SMITH TRUST	JANIS R & HOWARD C SMITH CO-TR PO Box 1350	ELKHART, KS 67950	R1				0.00195310	0.00195310	0.388884%	11/13/2013	0.388884%	Grant,KS	8-027-S-038-W	PAY	
DUESER FAMILY INVESTMENTS LTD	FIRST FINANCIAL TRUST & ASSET MGMT CO N A AGENT PO BOX 701	ABILENE, TX 79604	R1				0.00223220	0.00223220	0.444456%	11/18/2013	0.444456%	Grant,KS	8-027-S-038-W	PAY	
RANDALL W AND SUSIE ROTH	JOINT TENANTS 1040 NOIO ST	HONOLULU, HI 96816	R1				0.00223210	0.00223210	0.444436%			Grant,KS	8-027-S-038-W	PAY	
LEVENT KECIK	705 SUNSET HILL	ROCKWALL, TX 75087	R1					0.00003850	0.00003850	0.007666%	12/2/2013	0.007666%	Grant,KS	7-027-S-038-W	PAY
ARKOMA BASIN MINERALS INC	203 E INTERSTATE 30	ROCKWALL, TX 75087-5402	R1					0.00010270	0.00010270	0.020449%	11/11/2013	0.020449%	Grant,KS	7-027-S-038-W	PAY
TRUNK BAY ROYALTY PARTNERS LTD	PO BOX 671099	DALLAS, TX 75367-1099	R1					0.00053474	0.00053474	0.106473%	12/4/2013	0.106473%	Grant,KS	7-027-S-038-W	PAY
MAP K&W-OK	PO BOX 269031	OKLAHOMA CITY, OK 73126-9031	R1					0.00034652	0.00034652	0.068996%	11/14/2013	0.068996%	Grant,KS	7-027-S-038-W	PAY
CHESAPEAKE EXPLORATION LLC	PO BOX 960161	OKLAHOMA CITY, OK 73196-0161	R1					0.00011550	0.00011550	0.022997%			Grant,KS	7-027-S-038-W	PAY
EXXONMOBIL OIL CORPORATION	P O Box 951027	DALLAS, TX 75395-1027	R1					0.04620170	0.04620170	9.199273%	8/7/2014	9.199273%	Grant,KS	7-027-S-038-W	PAY
ROBERT R ANNIS	802 N HICKOK ST	ULYSSES, KS 67880-1607	R1					0.00213895	0.00213895	0.425889%	2/26/2013	0.425889%	Grant,KS	7-027-S-038-W	PAY
DONALD NEFF	ROUTE 1 BOX 4	LAKIN, KS 67660-9711	R1					0.00814910	0.00814910	1.622576%	11/12/2013	1.622576%	Grant,KS	7-027-S-038-W	PAY

"Exhibit B-1"  
Proposed Alternate Tract Unit  
Section 6-27S-38W (SE/4), Section 5-27S-38W (SW/4),  
Section 8-27S-38W (NW/4), Section 7-27S-38W (NE/4)  
Grant County, Kansas

MARTIN E NEFF	BOX 1128	LAKIN, KS 67860	R1					0.00203730	0.00203730	0.405649%	11/13/2013	0.405649%	Grant,KS	7-027-S-038-W	PAY
E JULIE BAXTER	11624 7TH AVE SE	EVERETT, WA 98208	R1					0.00053474	0.00053474	0.106473%			Grant,KS	7-027-S-038-W	PAY
GEORGE WM BINNEY	PO Box 534	ULYSSES, KS 67880	R1					0.00053474	0.00053474	0.106473%	1/8/2014	0.106473%	Grant,KS	7-027-S-038-W	PAY
NEFF MANAGEMENT TRUST	HAROLD O NEFF TRUSTEE 100 INDEPENDENCE PL STE 307	TYLER, TX 75703-1328	R1					0.00814920	0.00814920	1.622596%	11/11/2013	1.622596%	Grant,KS	7-027-S-038-W	PAY
JOHN C KOONTZ	1518 WILLOW RD	HUTCHINSON, KS 67501	R1					0.00053473	0.00053473	0.106471%	11/13/2013	0.106471%	Grant,KS	7-027-S-038-W	PAY
TISA NEFF	4620 NORMA DR NE	ALBUQUERQUE, NM 87109	R1					0.00407455	0.00407455	0.811288%	11/11/2013	0.811288%	Grant,KS	7-027-S-038-W	PAY
JAY NEFF	PO Box 1024	DURANGO, CO 81302	R1					0.00407455	0.00407455	0.811288%			Grant,KS	7-027-S-038-W	PAY
STEPHANIE HARRIS A MINOR	MICHELLE D HARRIS CUSTODIAN 4793 HILLSBORO CIRCLE	SANTA ROSA, CA 95405	R1					0.00256670	0.00256670	0.511059%			Grant,KS	7-027-S-038-W	PAY
HUGOTON IV PARTNERSHIP	C/O JPMORGAN CHASE BANK P O DRAWER 99084	FORT WORTH, TX 76199-0084	R1					0.00080648	0.00080648	0.160579%			Grant,KS	7-027-S-038-W	PAY
SALZAU IV	C/O JON L MOSLE JR 6125 WESTWICK	DALLAS, TX 75205-1772	R1					0.00017530	0.00017530	0.034904%			Grant,KS	7-027-S-038-W	PAY
BEAR CREEK PARTNERS	21 BLUE JAY DRIVE	SANTA FE, NM 87506	R1					0.01297840	0.01297840	2.584144%	12/2/2013	2.584144%	Grant,KS	7-027-S-038-W	PAY
STANFORD UNIVERSITY	BOARD OF TRUSTEES BANK OF AMERICA NA PO Box 840738	DALLAS, TX 75284	R1					0.00098180	0.00098180	0.195487%			Grant,KS	7-027-S-038-W	PAY
FRED A NEFF	BOX 274	LAKIN, KS 67860	R1					0.00203730	0.00203730	0.405649%	11/12/2013	0.405649%	Grant,KS	7-027-S-038-W	PAY
MERRY V OKEEFE	1265 GAYLORD APT 2	DENVER, CO 80206	R1					0.00203730	0.00203730	0.405649%	11/12/2013	0.405649%	Grant,KS	7-027-S-038-W	PAY
KERBY W NEFF	4818 FEATHERROCK ROAD	SAN ANTONIO, TX 78219	R1					0.00203730	0.00203730	0.405649%	12/6/2013	0.405649%	Grant,KS	7-027-S-038-W	PAY
NELSON RIDER	406 ROAD 60	ULYSSES, KS 67880	R1					0.00793730	0.00793730	1.580405%	1/23/2014	1.580405%	Grant,KS	7-027-S-038-W	PAY
KRISTINA A BELL	1466 ROAD R3	LAKIN, KS 67860	R1					0.00793730	0.00793730	1.580405%	11/12/2013	1.580405%	Grant,KS	7-027-S-038-W	PAY
MARGARET E SIMPSON	1931 CHISHOLM	DUNCAN, OK 73533	R1					0.00793730	0.00793730	1.580405%	11/11/2013	1.580405%	Grant,KS	7-027-S-038-W	PAY
								0.12500000	0.12500000	0.12723210					
								0.12500000	0.50223210	100.000000%					
												92.531427%			

**EXHIBIT B**

A.A.P.L. FORM 616-1982

**MODEL FORM OPERATING AGREEMENT**

[EXCERPTED]

**OPERATING AGREEMENT  
DATED**

January 14, 2013

OPERATOR LINN OPERATING, INC.

UNIT AREA ALTERNATE TRACT UNIT DESCRIBED AS:  
SECTION 6-27S-38W (SE/4), SECTION 5-27S-38W (SW/4),  
SECTION 8-27S-38W (NW/4), SECTION 7-27S-38W (NE/4)

Limited to the Chase and Council Grove Formations in the ATU well described above to be drilled  
in approximate center of an Alternate Tract Unit consisting of:

Township 27 South, Range 38 West:

Section 6 (SE/4), Section 5 (SW/4),  
Section 8 (NW/4), Section 7 (NE/4)

NOTE: WHEREAS UNIT OPERATOR LINN OPERATING, INC. IS THE SOLE WORKING  
INTEREST OWNER IN SAID UNIT, THIS FORM OPERATING AGREEMENT IS  
INCORPORATED BY REFERENCE AND MADE A PART OF THE PLAN OF UNIT  
OPERATIONS TO THE EXTENT IT DEMONSTRATES PRUDENT METHODS OF  
OPERATING AND AFFECTS THE INTERESTS OF ROYALTY OWNERS IN THE UNIT  
AREA.

COUNTY OF GRANT, STATE OF KANSAS

COPYRIGHT 1982 - ALL RIGHTS RESERVED  
AMERICAN ASSOCIATION OF PETROLEUM  
LANDMEN, 4100 FOSSIL CREEK BLVD., FORT  
WORTH, TEXAS, 76137-2791, APPROVED FORM.  
A.A.P.L. NO. 610 -1982 REVISED

COPY OF ENTIRE AGREEMENT  
AVAILABLE ON REQUEST

EXHIBIT C

BEYMER & BEYMER INC  
PO BOX 363  
LAKIN, KS 67860-0363

LEVENT KECIK  
705 SUNSET HILL  
ROCKWALL, TX 75087

ARKOMA BASIN MINERALS INC  
203 E INTERSTATE 30  
ROCKWALL, TX 75087-5402

MAP MRP  
AN OKLAHOMA GENERAL PARTNER  
PO BOX 269031  
OKLAHOMA CITY, OK 73126-9031

CHESAPEAKE EXPLORATION LLC  
PO BOX 18496  
OKLAHOMA CITY, OK 73154-0496

DONNA M BURK  
405 BIRKDALE CIRCLE  
GREENVILLE, NC 27834

PATRICIA M ROSS  
2511 PARK RIDGE COURT  
CREST HILL, IL 60403

KIM M DAETZ  
48 STEEPLECHASE COURT  
OCEANPORT, NJ 07757-1182

JOHN L BALDWIN ESTATE  
ROSEANNE BALDWIN EXECUTOR  
7315 N HENDRICKS  
HUTCHINSON, KS 67502

JIM D BALDWIN TRUST  
JIM D BALDWIN TRUSTEE  
706 GOLF CLUB DR  
CASTLE PINES VILLAGE, CO 80104



FLOYD G KNOX  
202 MADISON  
HUGOTON, KS 67951-2532

JANETTE MCCULLOUGH LIVING TRUST  
JANETTE & KENT MCCULLOUGH TRUSTEES  
1035 SUNSET DR  
LAWRENCE, KS 66044

DOUGLAS R PANNING  
126 SE 130 AVE  
ELLINWOOD, KS 67526

MARVIN D PANNING  
PO BOX 579  
GREAT BEND, KS 67530

JOAN S MURPHY  
129 W 50<sup>TH</sup>  
MINNEAPOLIS, MN 55419-1307

ANDREW JOHN DEL MASTRO  
2714 SANTA MONICA SE  
ALBUQUERQUE, NM 87106

JOAN E BLISS  
2928 LAUREL ST  
SAN DIEGO, CA 92104

HUGOTON VI  
C/O JP MORGAN CHASE BANK  
P O DRAWER 99084  
FORT WORTH, TX 76199-0084

SMITH FAMILY TRUST  
LEAH JACQUELINE SMITH TRUSTEE  
THE HALLMARK  
4718 HALLMARK DR #108  
HOUSTON, TX 77056-0149

BALDWIN 2001 REVOCABLE TRUST  
EMMA M BALDWIN TRUSTEE  
10909 JASMINE CREST LN  
SAN DIEGO, CA 92121

JAMES ERNEST LEWIS JR  
PO BOX 232  
PENN VALLEY, CA 95946

KATHERINE JOAN LEWIS  
820 SOUTH BOULEVARD  
TAMPA, FL 33606

LEWIS-KENNY FAMILY LLC  
PO BOX 3480  
OMAHA, NE 68103-0480

BLACK STONE NATURAL RESOURCES I, LP  
1001 FANNIN STE 2020  
HOUSTON, TX 77002-6715

MITCHELL MINERALS LLC  
PO BOX 488  
HENRYETTA, OK 74437

ROTH FAMILY MINERAL INTERESTS LLC  
49295 COUNTY ROAD W  
ARAPAHOC, CO 80802

SHIRLEY M SMITH TRUST  
JOHN B & SHIRLEY M SMITH COTRUSTEES  
PO BOX 129  
ELKHART, KS 67950-0129

SANDHILL FARMS  
C/O JENNY KASSELMAN  
1360 NE 10 ROAD  
ELLINWOOD, KS 67526-9055

DONALD G ROTH  
410 W 3RD ST  
ELLINWOOD, KS 67526

THOMAS L ROTH  
3131 E ALAMEDA, #1808  
DENVER, CO 80209

SHIRLEY TUNG  
502 LARCHWOOD AVE  
UPPER DARBY, PA 19082-2020

CAROL JEAN NAVE  
705 MAIN ST UNIT 802  
HOUSTON, TX 77002

JAMES GALEN HICKOK  
910 W WHEAT  
ULYSSES, KS 67880-1648

JOSANDRA C BARNES  
2616 STRATFORD RD  
LAWRENCE, KS 66049

HOWARD C SMITH TRUST  
HOWARD C & JANIS R SMITH CO-TR  
PO BOX 1350  
ELKHART, KS 67950

JOHN B SMITH TRUST  
JOHN B AND SHIRLEY M SMITH CO-TRUST  
PO BOX 129  
ELKHART, KS 67950-0129

NANCY HICKOK YOUNG  
PO BOX 847  
ULYSSES, KS 67880

PAMELA K LOUCKS  
324 CASITAS BULEVAR  
LOS GATOS, CA 95032

REBECCA RUTH PERRY  
7215 MANOR OAKS DR  
RALEIGH, NC 27615-5580

OLGA E SMITH TRUST  
OLGA E SMITH JOHN B SMITH AND  
HOWARD C SMITH CO TRUSTEES  
PO BOX 917  
ELKHART, KS 67950

JANIS R SMITH TRUST  
JANIS R & HOWARD C SMITH CO-TR  
PO BOX 1350  
ELKHART, KS 67950

DUESER FAMILY INVESTMENTS LTD  
FIRST FINANCIAL TRUST & ASSET MGMT CO N A AGENT  
PO BOX 701  
ABILENE, TX 79604

RANDALL W AND SUSIE ROTH  
JOINT TENANTS  
1040 NOIO ST  
HONOLULU, HI 96816

TRUNK BAY ROYALTY PARTNERS LTD  
PO BOX 671099  
DALLAS, TX 75367-1099

MAP K&W-OK  
PO BOX 269031  
OKLAHOMA CITY, OK 73126-9031

EXXONMOBIL OIL CORPORATION  
P.O. BOX 951027  
DALLAS, TX 75395-1027

ROBERT R ANNIS  
802 N HICKOK ST  
ULYSSES, KS 67880-1607

DONALD NEFF  
ROUTE 1 BOX 4  
LAKIN, KS 67860-9711

MARTIN E NEFF  
BOX 1128  
LAKIN, KS 67860

E JULIE BAXTER  
11624 7TH AVE SE  
EVERETT, WA 98208

GEORGE WM BINNEY  
PO BOX 534  
ULYSSES, KS 67880

NEFF MANAGEMENT TRUST  
HAROLD O NEFF TRUSTEE  
100 INDEPENDENCE PL STE 307  
TYLER, TX 75703-1328

JOHN C KOONTZ  
1518 WILLOW RD  
HUTCHINSON, KS 67501

TISA NEFF  
4620 NORMA DR NE  
ALBUQUERQUE, NM 87109

JAY NEFF  
PO BOX 1024  
DURANGO, CO 81302

STEPHANIE HARRIS A MINOR  
MICHELLE D HARRIS CUSTODIAN  
4793 HILLSBORO CIRCLE  
SANTA ROSA, CA 95405

HUGOTON IV PARTNERSHIP  
C/O JPMORGAN CHASE BANK  
P O DRAWER 99084  
FORT WORTH, TX 76199-0084

SALZAU IV  
C/O JON L MOSLE JR  
6125 WESTWICK  
DALLAS, TX 75205-1772

BEAR CREEK PARTNERS  
21 BLUE JAY DRIVE  
SANTA FE, NM 87506

STANFORD UNIVERSITY  
BOARD OF TRUSTEES  
BANK OF AMERICA NA  
PO BOX 840738  
DALLAS, TX 75284

FRED A NEFF  
BOX 274  
LAKIN, KS 67860

MERRY V OKEEFE  
1265 GAYLORD APT 2  
DENVER, CO 80206

KERBY W NEFF  
4818 FEATHERROCK ROAD  
SAN ANTONIO, TX 78219

NELSON RIDER  
406 ROAD 60  
ULYSSES, KS 67880

KRISTINA A BELL  
1466 ROAD R3  
LAKIN, KS 67860

MARGARET E SIMPSON  
1931 CHISHOLM  
DUNCAN, OK 73533

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION	)	
OF LINN OPERATING, INC. FOR AN	)	DOCKET NO. 15-CONS-_____-CUNI
ORDER PROVIDING FOR THE	)	
UNITIZATION AND UNIT OPERATION OF	)	
A PART OF THE HUGOTON AND	)	
PANOMA COUNCIL GROVE GAS FIELDS	)	
IN THE ALTERNATE TRACT UNIT	)	
DESCRIBED AS SECTION 6-27S-38W	)	OPERATOR NO. 33999
(SE/4), SECTION 5-27S-38W (SW/4),	)	CONSERVATION DIVISION
SECTION 8-27S-38W (NW/4), SECTION 7-	)	
27S-38W (NE/4) IN GRANT COUNTY,	)	
KANSAS (ATU 279)	)	

NOTICE OF PENDING APPLICATION

THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS TO:

ALL OIL AND GAS PRODUCERS AND OIL AND GAS PURCHASERS, ROYALTY  
OWNERS, LAND OWNERS, AND ALL PERSONS WHOMSOEVER CONCERNED:

YOU, and each of you, are hereby notified that LINN OPERATING, Inc., has filed an Application with the State Corporation Commission of the State of Kansas requesting an Order providing for the Unitization and Unit Operation of an Alternate Tract Unit pursuant to K.S.A. 55-1301, *et seq.*, and the Basic Integrated Proration Order for the Hugoton Gas Field and Panoma Council Grove Gas Field. The unit area subject to the requested Order is as follows:

Section 6-27S-38W (SE/4)  
Section 5-27S-38W (SW/4)  
Section 8-27S-38W (NW/4)  
Section 7-27S-38W (NE/4)  
All in Grant County, Kansas.

YOU are further notified that unless written protest or request for hearing is received by the State Corporation Commission within 15 days after publication of this Notice, the Application in this matter will be granted pursuant to K.S.A. 77-537 after said 15 day period. Any such protest or request for hearing should be mailed to the State Corporation Commission of the State of Kansas, Conservation Division, 130 S. Market, Room 2078, Wichita, Kansas 67202 and to the Applicant at the address below.

All parties in anywise interested or concerned shall take notice of the foregoing and govern themselves accordingly.

LINN OPERATING, Inc.  
BY: Brandon S. Powell  
Landman  
Kansas Hugoton Assets  
600 Travis, Suite 5100  
Houston, TX 77002  
(281) 840-4309  
bpowell@linnenergy.com