PLAN OF UNITIZATION

PANTHER CREEK HART SAND UNIT

GARVIN COUNTY, OKLAHOMA

the Unit Expense when due, each Lessee contributing to the payment thereof shall be proportionately entitled to take and market, or itself purchase, the Unit Production to the credit of the Lessee or interest or interests chargeable with such Unit Expense, or to otherwise collect and receive the proceeds from the sale thereof, and shall apply all such sums so collected against the delinquent or unpaid Unit Expense due from such Lessee or interest, the balance of such proceeds, if any, to be paid to the Lessee or other person entitled thereto. The Unit Operator may likewise take any other credit due any such Lessee or interest and apply the same against sums due from such Lessee or interest for Unit Expense.

12.10 Credits Received. Any and all income and credits received by the Unit Operator on account of Unit operations hereunder, from whatever source received, shall currently be accounted for and credited to the Lessees or interests entitled to credit therefor.

13. INITIAL ADJUSTMENT AND INVESTMENT

13.1 Equipment and Records Turned Over to Unit Operator. Upon the Effective Date, the Unit shall assume control and management of the further development and operation of the Unit Area and, except as may be otherwise herein provided, each Lessee within the Unit Area shall deliver possession to the Unit Operator hereunder of,

a. All Hart Sand wells within the Unit Area,
b. All lease and other operating equipment used in the operation of such wells, and
c. All production and well records and other pertinent data pertaining thereto.

13.2 Well Investment. All Hart Sand wells within the Unit Area shall be taken over by the Unit. Inasmuch as each Separately Owned Tract within the Unit Area has been developed by the drilling of a single well thereon of comparable cost, no adjustment of well investment as between tracts shall be made.

13.3 Casing, Tubing and Wellhead Connections. All casing, one string of tubing, and wellhead connections in or on wells taken over by the Unit shall be treated and regarded as a part of such wells.

13.4 Lease and Operating Equipment. As of the Effective Date, the Operating Committee shall determine what part of the lease and other operating equipment (exclusive of warehouses, lease houses, camps and office buildings) used in the operation of wells taken over by the Unit it considers necessary or desirable to take over and use in connection with the unitized development and operation of the Unit Area, *including, by way of example, but not thereby excluding, other equipment of a like or different* kind, derricks, tank batteries, separators, rods, pumps, tubing in excess of one string, flow lines, water lines, gas lines, etc., which said lease and operating equipment (exclusive of warehouses, lease houses, camps, office buildings and facilities systems) shall be delivered to and taken over by the Unit. All lease and operating equipment not so taken over shall remain the separate property of the several owners thereof and may be used by the said separate owners in the operation of wells producing from formations other than the Hart Sand or reclaimed as such separate owners may desire. The acquisition of existing warehouses, lease houses, camps, office buildings or facilities systems considered desirable to the operation and development of the Unit Area shall be by negotiation and separate contract of purchase with the owner or owners thereof.

13.5 Inventory. An inventory shall be taken, in accordance with "Exhibit C", of all lease and operating equipment taken over by the Unit. Each Lessee, if it so requests, may be represented and assist in taking of the inventory.

13.6 Accounting for Lease and Operating Equipment. An accounting for the lease and operating equipment so transferred to and taken over by the Unit shall be had as between the owners thereof and all Lessees within the Unit Area on the basis of the value thereof determined in accordance with the accounting procedure hereto attached, marked "Exhibit C", to be determined by the Operating Committee, and proper charges and credits entered against the several Separately Owned Tracts,

all to the end that on and after the Effective Date the Lessee or the several Lessees of each Separately Owned Tract within the Unit Area, instead of separately owning the equipment delivered to the Unit by such Lessees, will have exchanged the same for an undivided interest in and to all the equipment so taken over and acquired by the Unit and will have paid or have been paid, as the case may be, for any difference in value. The amount of any net charge made against a Separately Owned Tract under this paragraph shall be treated and regarded in all respects the same as any other charge for Unit Expense chargeable to such tract.

14. OIL IN LEASE TANKAGE AS OF THE EFFECTIVE DATE

14.1 Gauging and Accounting. A proper and timely gauge shall be made of all lease or other tanks taken over by the Unit to ascertain the amount of oil in such tanks above the pipe line connection at the time the Unit assumes and takes over the development and operation of the Unit Area. So much of such oil as is legally produced shall remain and be the property of the parties entitled thereto had not the Unit been created and, upon request, shall be delivered in kind to persons entitled thereto or, in the absence of such request, shall be sold by the Unit Operator for the credit of such persons at not less than the prevailing market price and the proceeds thereof paid to such persons.

15. PLAN OF OPERATION

15.1 Plan of Operations. To the end that the quantity of Oil and Gas ultimately recoverable from the Unit Area may be substantially increased and waste prevented, the further development and operation of the Unit Area, from and after the Effective Date, shall be conducted by the application to the Unit Area of the following unitized method of operation:

a. As soon as practical after the Effective Date, the unit shall make the necessary preparations therefor and with diligence and in accordance with good engineering and production practices engage in waterflood operations in the manner best calculated efficiently and without waste to result in the greatest ultimate recovery of Oil and Gas from the Unit Area. In so doing, the Unit is authorized to construct, purchase or otherwise acquire and operate such facilities as may in the best judgment of the Operating Committee be desirable for that purpose.

b. Such other unitized method or methods of operations as may from time to time be determined by the Operating Committee to be feasible, necessary or desirable to efficiently and substantially increase the ultimate recovery of Oil and Gas from the Unit Area, provided the estimated additional cost thereof does not exceed the estimated value of the additional Oil and Gas to be so recovered.

15.2 Change of Operations. Nothing herein contained shall prevent the Unit from abandoning or changing, in whole or in part, any particular method or methods of operation, including the waterflood operations required under 15.1 a. above, if at such time any such method of operation as applied to the Unit Area is, in the best judgment of the Operating Committee, no longer in accord with good engineering or production practices.

16. RIGHT TO INFORMATION

16.1 Access to Area and Records. Each and all Lessees within the Unit Area and the Supervisor shall have access to the entire Unit Area at all reasonable times to inspect and observe operations of every kind and character on the property, and shall have access at all reasonable times to any and all information pertaining to wells drilled, production secured, and the marketing of Unit Production. Each such Lessee shall have access at all reasonable times to the books, records, and vouchers relating to the operation of Unit Area. The Unit Operator shall, upon request, furnish to any such Lessee, or the Supervisor, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and any other pertinent information pertaining to the Unit Area or development and operation thereof.

17. LIABILITY

17.1 Committee or Personal. No member of the Operating Committee, or any other committee, shall be personally liable or individually responsible for any act, error, default or omission as a member of such committee or committees.

17.2 Unit and Unit Operator. Neither the Unit nor the Unit Operator shall be liable or responsible under any of the provisions of this Plan of Unitization for any acts or omissions resulting from causes beyond the control of the Unit or such Unit Operator or other causes which could not have been prevented or overcome by the exercise of due diligence.

17.3 Damage to Unit Area. Unit Operator shall not be liable or responsible for any damage to the Unit Area or the property, equipment or facilities used in the development and operation thereof or for the loss of any production arising out of its operation of the Unit Area, except only for bad faith or gross negligence in connection therewith.

17.4 Payment. If and in the event, notwithstanding the foregoing provisions of this section, the Unit, the Unit Operator or any member of the Operating Committee is held liable by a court of competent jurisdiction for any matter or thing for which it is herein provided the Unit or person so named shall not be liable, the amount of such liability as finally determined shall thereupon be treated, regarded and paid as an item of Unit Expense.

18. CHANGE OF INTEREST

18.1 Change of Interest. All transfers (by operation of law or otherwise), assignments and conveyances of any interest in, or with respect to, any of the Separately Owned Tracts within the Unit Area shall be subject to the terms, provisions and conditions of this Plan of Unitization, but shall not be binding on the Unit or Unit Operator unless and until a photostatic or certified copy of the recorded instrument or final judicial decree evidencing such change of ownership has been delivered to the Unit Operator. 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 assignor or grantor 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.

19. AUDITS

19.1 Audits. The Operating Committee shall from time to time cause an audit to be made of the books, accounts and records of the Unit Operator in respect to matters pertaining to the Unit and the operation of the Unit Area. Each such audit shall cover the period intervening since the last audit. The audit may be made by an auditor or auditing committee from the accounting staff of one or more of the Lessees within the Unit Area or by an independent auditor or auditors employed by the Unit to make such audit. The cost of such audits shall be borne by the Lessees exclusive of the Lessee designated as Unit Operator.

20. EASEMENTS

20.1 Easements. The Unit and Unit Operator shall have an easement and right of way on, over and across all of the lands in the Unit Area for the purpose of laying, constructing, building, using and maintaining, operating, changing, repairing and removing pipe lines, tanks, telegraph and telephone lines, water lines and other facilities for the development and operation of the Unit Area for Oil and Gas and for the gathering, handling and disposal of the Unit Production; provided, the Unit area shall pay all damages to growing crops, timber, fences, improvements and structures on the land resulting

from the exercise of the rights and privileges granted to it in this section. The Unit and Unit Operator shall have free use of water from the lands within the geographical limits of the Unit Area for operations hereunder except water from private wells, lakes, ponds, or irrigation ditches of the landowners other than Lessees.

21. CLAIMS, SUITS AND JUDGMENTS

21.1 Handling. In the event claim is made against any of the Lessees of the Unit Area or any of such Lessees are sued on account of any matter or thing growing out of the development and operation of the Unit Area by the Unit and over which such Lessee or Lessees have no control because of the rights, powers and duties herein granted the Unit, said Lessee or Lessees shall immediately notify the Operating Committee in writing of such claim or suit. The Operating Committee shall assume and take over the further handling of such claim or suit and in pursuance thereof may select an attorney or attorneys for that purpose who, subject to the directions of the Operating Committee, shall have the exclusive right to direct and control the settlement or defense thereof. Should such claim be settled, final judgment be entered against any such defendant or defendants upon said cause of action, and any such defendent is required to pay or satisfy such judgment or expense of litigation, in whole or in part, the amount of such settlement or judgment shall be treated, regarded and paid as any other item of Unit Expense. Nothing herein contained shall apply to or relieve any such Lessee or Lessees of liability which may have accrued prior to the Effective Date of this Plan of Unitization or liability which may arise in consequence of the failure of the title of any such Lessee to any Oil and Gas Rights in and to the Unit Area.

22. TITLE INFORMATION

22.1 Title Information. Upon request of either the Operating Committee or the Unit Operator, the Lessees of the several Separately Owned Tracts shall furnish and make available to the Unit or Unit Operator, as the case may be, an abstract brought to the date of the request, together with all other title information in the possession and files of such Lessees, title opinions, original or true copies of all leases, assignments, contracts, curative matter and all other data and information pertaining to or otherwise affecting titles to the Oil and Gas Rights in and to the Unit Area.

23. OTHER FORMATIONS

23.1 Right to Operate and Develop. Although there may be other common sources of supply of Oil and Gas overlying on underlying the said Hart Sand common source of supply, this Plan of Unitization shall relate only to the said Hart Sand common source of supply. Except as specifically provided in this Plan of Unitization, all rights of any and all persons in and to such other reservoirs or common sources of supply of Oil and Gas and the production therefrom, together with the right of ingress and egress and the use of the surface of the Unit Area for the exploration, development and operation of such other reservoirs or common sources of supply of Oil and Gas, are expressly reserved unto the separate owners thereof, and shall, except as provided in the next succeeding paragraph, remain unaffected by the creation of the Unit and the adoption of this Plan of Unitization, all to the same extent as if this Plan of Unitization had not been adopted, excepting further that in the exercise of such rights the owners thereof shall have due regard for the rights granted the Unit with respect to its operations hereunder.

23.2 Dual Completions. While each Lessee shall deliver possession of all Hart Sand wells within the Unit Area as provided in Section 13 hereof, there is expressly reserved unto such Lessee the right to use such well, together with all equipment thereon and therein for the purpose of exploring, developing and operating, by means of dual completion, such other sources of supply that may overlie or underlie the Hart Sand; provided that such Lessee shall, at his sole cost, risk and expense, explore, develop and

operate such other common source of supply and furnish and install equipment necessary to segregate the production from such other common source of supply from the unitized Hart Sand production, both in the well and on the surface, in a manner prescribed by the Unit Operating Committee. In the event it becomes necessary to work over, recondition or redrill a well by reason of operations for production from such other common source of supply, or the abandonment thereof, said work-over, reconditioning or redrilling shall be done by and at the sole cost, risk and expense of such Lessee and under the supervision of the Unit Operating Committee. In the event it becomes necessary to work over, recondition or redrill a well by reason of the development, operation or abandonment of the Hart Sand in a dually completed well, said work-over, reconditioning or redrilling shall be done by Unit Operator under the supervision of the Unit Operating Committee, and any extra expense incurred in such work-over, reconditioning or redrilling resulting from or occasioned by said well being a dually completed well shall be borne by the Lessee operating such other common source of supply in said well. The term "extra expense" as used above shall mean the difference between the normal charges incurred in working over, reconditioning or redrilling a dually completed well and the normal charges for doing the same work on a well which is not dually completed. The Unit Operator shall furnish the Lessee with an estimate of such charges prior to the commencement of such work. Before any Lessee shall commence the working over, reconditioning or redrilling of any well included in the Unit, the permission of the Unit Operating Committee shall be secured. In the event of an emergency, or the failure of the Lessee to comply with the requirements of the Unit Operating Committee, the Unit Operating Committee, shall have the authority to perform all such work necessary to protect the Hart Sand. In the event there is a conflict of interest between the Unit and any such Lessee covering a dually completed well, or the operation thereof, the interest of the Unit shall prevail. Except for bad faith or gross negligence, neither the Unit nor the Unit Operator shall be liable or responsible for any damage to or loss of production from any other common sources of supply, nor for damage to the property, equipment or facilities of such Lessee used in development and operations of such dually completed well.

24. ABANDONMENT OF WELLS

24.1 Right of Former Lessee. If the Operating Committee at any time desires to abandon any well completed in the Hart Sand and salvage the casing and other equipment that is a part of the well, the Lessee or Lessees of the Separately Owned Tract on which such well is located shall be notified in writing of such decision and shall have and be granted ninety (90) days from receipt of such notice within which to elect to take over such well for the purpose of completing the same in some other formation not a part of the Unit Area. Any such Lessee electing to take over such a well shall pay the net salvage value of the casing and other equipment in and on the well, determined in accordance with the accounting procedure hereto attached, marked "Exhibit C", and shall agree to assume full responsibility for the proper plugging and abandonment thereof at such time as the well is ultimately abandoned. No such well shall be operated or used for the production of Oil and Gas from the Hart Sand, and to that end the Lessee taking over such a well shall immediately cause the Hart Sand in such well to be sealed off in a manner satisfactory to the Operating Committee, it being understood such tract shall continue to participate in Unit Production despite the cessation of production therefrom or the abandonment of any or all such wells thereon. In the event the Lessee or Lessees of such a Separately Owned Tract do not elect to take over such well, the Unit Operator shall proceed to properly plug and abandon the same, and shall salvage such of the casing and other equipment therefrom as is reasonably practicable.

25. ABANDONMENT OF OPERATIONS AND DISSOLUTION OF UNIT

25.1 Procedures. At such time as it is determined by the Operating Committee that Unit Production can no longer be produced from the Unit Area in paying quantities, the further development and operation of the Unit Area by the Unit shall be abandoned, the Unit dissolved and its affairs terminated.

Upon abandonment of Unit operations:

a. All rights in and to the several Separately Owned Tracts shall revert to the separate owners and Lessees thereof;

b. The owner or Lessee of a Separately Owned Tract desiring to take over and continue to operate a well located on such Separately Owned Tract may do so by paying the salvage value of the casing and other equipment in and on the well, determined in accordance with the accounting procedure hereto attached, marked "Exhibit C", and by agreeing to properly plug and abandon the well at such time as it is ultimately abandoned;

c. With respect to all wells not taken over by the owner or Lessees of the Separately Owned Tracts, as aforesaid, the Unit Operator shall salvage so much of the casing and other equipment therein as can be economically and reasonably salvaged and shall cause such well to be properly plugged and abandoned; and

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

25.2 Filing of Notice. At such time as the Unit operations are abandoned and the affairs of the Unit terminated, the Unit shall submit for filing a declaration to that effect with the Secretary of the Corporation Commission, with the County Clerk of Garvin County, Oklahoma, and with the Supervisor, whereupon the rights, powers and duties of the Unit shall be at an end.

26. AMENDMENT TO PLAN OF UNITIZATION AND ENLARGEMENT OF UNIT

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

27. GENERAL

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

27.2 Joinder in Dual Capacity. It shall not be necessary for Persons owning both working interests and royalty interests to execute this agreement in both capacities in order to commit both classes of interests. Execution hereof by any such Person in one capacity shall also constitute execution in the other capacity.

27.3 Execution Binding on all Signatory Parties. The execution hereof by Lessees and royalty owners within the Unit Area shall be binding upon such parties, their heirs, personal representatives, successors and assigns.

27.4 Right to Revoke Execution. If the order of the Commission approving this Plan of Unitization is not entered on or before July 1, 1958, any subscriber may revoke its execution hereof by filing notice of such revocation with the Secretary of the Commission, provided such notice is so filed prior to the entry of an order of the Commission approving this Plan of Unitization.

27.5 Force Majeure. All obligations of each party hereto, except for the payment of money, shall be suspended while said party is prevented from complying therewith, in whole or in part, by strikes,

fire, war, civil disturbances, acts of God, state or federal orders or regulations, inability to secure materials, or other causes beyond the reasonable control of said party; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided, further, that no party shall be required against its will to adjust or settle any labor dispute. This Plan of Unitization or the leases or other rights subject hereto shall not be terminated by reason of suspension of Unit operations due to the aforesaid causes.

27.6 Internal Revenue Election. Each of the subscribers to this Plan of Unitization hereby elects to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, pursuant to Section 761 (a) thereof or similar provisions of an applicable state income tax law. Unit Operator is hereby authorized and directed to file such returns and statements as may be required to make the election effective under the law and regulations promulgated thereunder. Should said regulations subsequently require each subscriber to execute this or further evidence each party agrees to execute such evidence or join in the execution thereof.

IN WITNESS WHEREOF, The parties hereto have executed this agreement upon the respective dates indicated opposite their respective signatures.

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or Witness, If an Individual
COMPANY Phillips Petroleum Company By: _____ Vice President	Sept. 24, 1957	Attest: By: _____ Assistant Secretary
COMPANY ~~Company~~ By: _____ ~~President~~ Individually and as Agent	8-27-57	Attest: By: _____ Secretary
~~Company~~ By: _____ ~~President~~ JAKE L. HAMON	8-27-57	Attest: By: _____ Secretary
COMPANY REPUBLIC NATURAL GAS COMPANY By: _____ President	8-27-57	Attest: By: _____ ASSISTANT Secretary

R. N. G. Co.
APPROVED
Prod. ...
Land ...
Geol. ...
Eng. ...
Accg. ...
Legal ...
Exec. ...

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or Witness, If an Individual
COMPANY By: _____ President	9-16-57	Attest: By: _____ Secretary
COMPANY By: J. Walter Duncan Jr. President		Attest: By: _____ Secretary
COMPANY GULF OIL CORPORATION By: _____ President E. L. Petree, Attorney-in-Fact	SEP 10 1957	Attest: By: _____ Secretary
By: _____		By: _____ Secretary
COMPANY By: E. L. Seymour President	8-30-57	Attest: By: _____ Secretary
COMPANY PAN AMERICAN PETROLEUM CORPORATION By: _____ its Attorney-In-Fact	SEP 5 1957	Attest: By: _____
COMPANY By: _____ President		Attest: By: _____ Secretary

Silas H. Freeman
P. O. Box No. 722
ADA, OKLA.

Witness

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or Witness, If an Individual
COMPANY SEPTEMBER 16, 1957 RIMROCK TIDELANDS, INC By: H. L. Rowley President		Attest: By: Charles L. Hayes Secretary
COMPANY SINCLAIR OIL & GAS COMPANY By: [signature] VICE-President	SEP 10 1957	Attest: By: Arthur [signature] ASST. Secretary
By: _____ President		By: _____ Secretary
APPROVED [signature]		
COMPANY SUN OIL COMPANY By: [signature] ~~President~~ Attorney in Fact		~~Attest:~~ ~~By:~~ _____ ~~Secretary~~
COMPANY		Attest:
COMPANY SUNRAY MID-CONTINENT OIL COMPANY By: K. E. Fors VICE President	9-24-57	Attest: By: [signature] ASSISTANT Secretary
COMPANY THE SUPERIOR OIL COMPANY By: J. C. Cody VICE President		Attest: By: [signature] ASSISTANT Secretary

APPROVED AS TO FORM FOR THE SUPERIOR OIL CO.
[signature]
ATTORNEY

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or Witness, If an Individual
GENERAL AMERICAN OIL COMPANY OF TEXAS COMPANY By: _____ V President	8/27/57	Attest: By: _____ ASSISTANT Secretary

Without warranty expressed or implied, and as mortgagee or assignee for collateral purposes only of the interest of

Indian Oil Corp. and/or MacBean Oil Co.

REPUBLIC NATIONAL BANK OF DALLAS

By: _____ Vice President

ATTEST:

_____ Assistant Cashier

Form 773 — Egan

By: _____ President

_____

By: _____ Secretary

COMPANY ADA OIL COMPANY

By: _____ President — 8/29/57

Attest:

By: _____ Asst Secretary

COMPANY

By: _____ President — 8/29/57

Attest:

By: _____ Secretary

COMPANY ANDERSON-PRICHARD OIL CORPORATION

By: _____ President

_____

Attest:

By: _____ Secretary

COMPANY

By: _____ President

_____

Witness:
Attest:

By: _____ Secretary

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or Witness, If an Individual
COMPANY By: _____ President	_____	Attest: By: _____ Secretary
COMPANY Viersen Oil + Gas Co. By: [signature] Vice-President	9-11-57	Attest: By: [signature] Asst. Secretary
COMPANY By: _____ President	_____	Attest: By: _____ Secretary
COMPANY Wilcox Oil Company By: A. L. Chapman Vice-President	SEP 11 1957	Attest: By: Clara Alworth Asst. Secretary
COMPANY		Attest:
COMPANY SHORELINE PETROLEUM CORPORATION By: [signature] Vice President	9/17/57	Attest: By: [signature] Secretary
COMPANY THE CARTER OIL COMPANY By: C. O. Hunington Vice President	September 24, 1957	Attest: By: [signature] ASSISTANT Secretary

O. K. as to transaction [initials]
O. K. as to form [initials]

WORKING INTEREST OWNERS

Name	Date Signed	Attest, If a Corporation or
COMPANY CITIES SERVICE OIL CO. By: _____ Vice President	_____	Attest: By: _____ Asst. Secretary
By: _____ President	_____	By: _____ Secretary
COMPANY ~~CONTINENTAL OIL COMPANY~~, By: _____ ~~President~~ Attorney-in-fact APPROVED AS TO FORM LEGAL DEPT.	_____	Attest: By: _____ Secretary
COMPANY By: _____ President	_____	Attest: By: _____ Secretary
~~COMPANY~~ ~~By:~~ _____ ~~President~~		~~Attest:~~ ~~By:~~ _____ ~~Secretary~~ Witness
COMPANY COMPANY SKELLY OIL COMPANY By: _____ Vice President	_____	Attest: By: _____ Asst. Secretary

ROYALTY OWNERS

Name	Date Signed	Attest, If a Corporation, or Witness, If an Individual
GENERAL AMERICAN OIL COMPANY OF TEXAS VICE PRESIDENT	8/7/57	ASSISTANT Secretary
T B Adams Jr	8/29/57	

ROYALTY OWNERS

Name	Date Signed	Attest, If a Corporation, or Witness, If an Individual
SHORELINE PETROLEUM CORPORATION By VICE PRESIDENT	9/17/57	ATTEST By Howard R. Caldwell

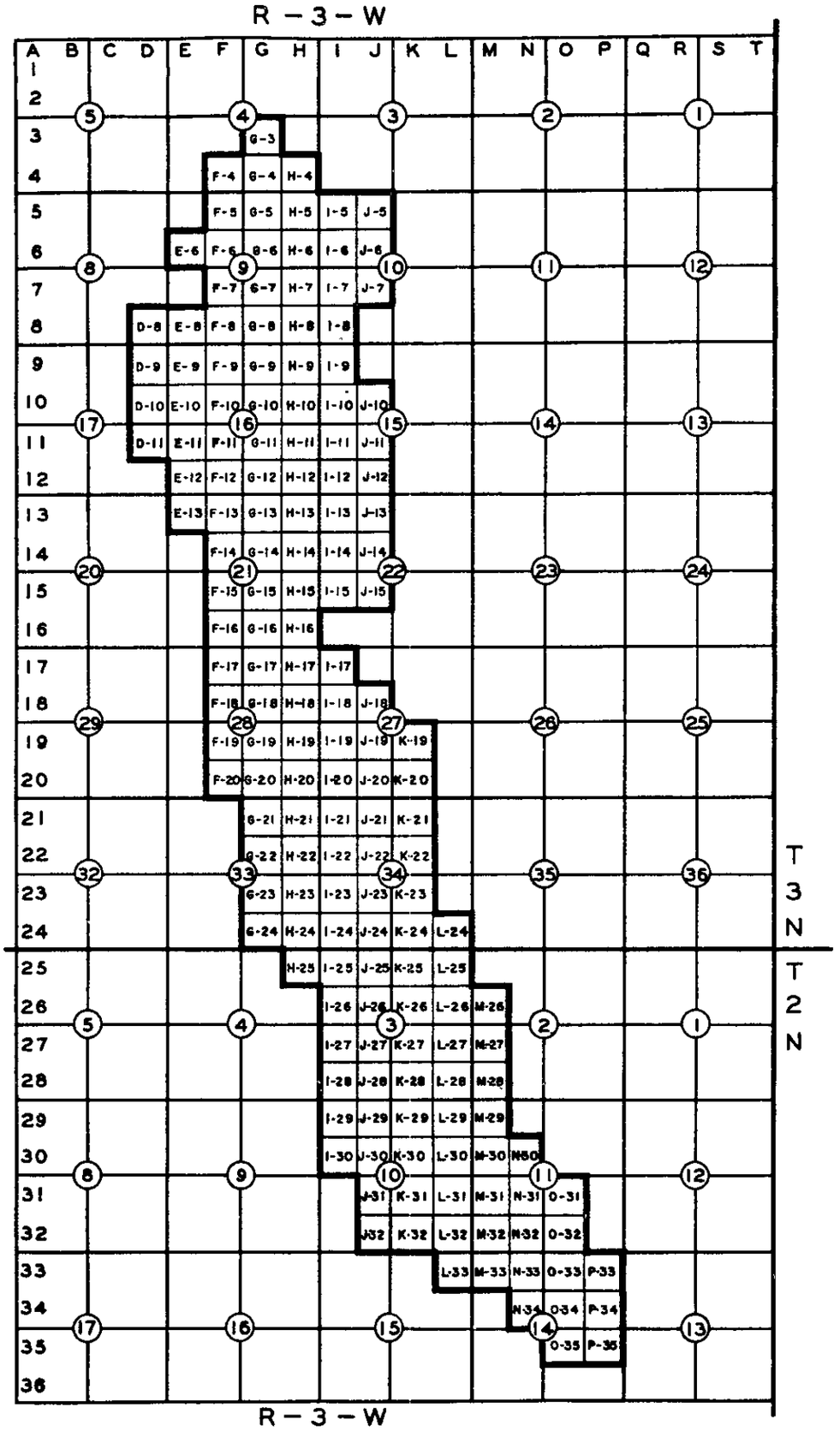

EXHIBIT A
PANTHER CREEK HART SAND UNIT
GARVIN COUNTY, OKLAHOMA

EXHIBIT "B"
TRACT PERCENTAGE PARTICIPATION
PANTHER CREEK HART SAND UNIT – GARVIN COUNTY, OKLAHOMA

TRACT NUMBER	LOCATION	TRACT OPERATOR	LEASE NAME	WELL NUMBER	TRACT PERCENTAGE PARTICIPATION
	T3N R3W				
D–8	SE SE 8	Phillips	Salena	1	.510568
D–9	NE NE 17	Phillips	Charlie "C"	1	.559937
D–10	SE NE 17	Rimrock Tidelands	Denson	1	.546290
D–11	NE SE 17	Phillips	Charlie "B"	1	.609985
E–6	SW NW 9	Skelly	Roots "C"	1	.289394
E–8	SW SW 9	Phillips	Roberta "A"	1	.397715
E–9	NW NW 16	Phillips	Bud	2	.735525
E–10	SW NW 16	Phillips	Easel	2	.657935
E–11	NW SW 16	Superior	Curtiss	4–16	.698077
E–12	SW SW 16	Superior	Curtiss	3–16	.566644
E–13	NW NW 21	Superior	Williams	1	.581074
F–4	SE SW 4	Phillips	Hanley "A"	1	.465182
F–5	NE NW 9	Skelly	Roots "B"	1	.297133
F–6	SE NW 9	Skelly	Roots "A"	1	.461863
F–7	NE SW 9	Skelly	M. V. Roots	1	.415699
F–8	SE SW 9	Phillips	Diana	1	.506900
F–9	NE NW 16	Phillips	Bud	1	.874096
F–10	SE NW 16	Phillips	Easel	1	.721232
F–11	NE SW 16	Superior	Curtiss	1–16	.558189
F–12	SE SW 16	Superior	Curtiss	2–16	.563993
F–13	NE NW 21	Superior	Curtiss–Williams	1	.575312
F–14	SE NW 21	Gulf	Lizzie–Williams	1	.644326
F–15	NE SW 21	Sinclair	Simmons–Fleet	1	.714483
F–16	SE SW 21	Sinclair	Simmons–Walker	1	.641472
F–17	NE NW 28	Phillips	Eligah "E"	1	.495057
F–18	SE NW 28	Phillips	Eligah "E"	2	.507834
F–19	NE SW 28	Phillips	Rin	1	.582675
F–20	SE SW 28	Phillips	Rin	2	.452984
G–3	NW SE 4	Sun	Forkner	1	.489964
G–4	SW SE 4	Cities Service	Anthis "C"	1	.416914
G–5	NW NE 9	Superior	Waldron–Mason	1	.410528
G–6	SW NE 9	Superior	Waldron	1	.369554
G–7	NW SE 9	Phillips	Avece	1	.512757
G–8	SE SE 9	Phillips	Harry "B"	1	.490404
G–9	NW NE 16	Superior	Hogan	4	.576768
G–10	SW NE 16	Gen–American	Denson "B"	1	.622857
G–11	NW SE 16	Phillips	Arnett "D"	1	.633015
G–12	SW SE 16	Phillips	Bart	1	.380194
G–13	NW NE 21	Superior	Curtiss	2	.390643
G–14	SW NE 21	Gulf	Williams "B"	1	.366988
G–15	NW SE 21	Sinclair	Fleet–Walker	1	.644328
G–16	SW SE 21	Osborn	Barnhill	1	.851844

TRACT NUMBER	LOCATION	TRACT OPERATOR	LEASE NAME	WELL NUMBER	TRACT PERCENTAGE PARTICIPATION
	T3N R3W				
G–17	NW NE 28	Phillips	Eligah "C"	1	.367195
G–18	SW NE 28	Phillips	Ruce	1	.546535
G–19	NW SE 28	And.–Prichard	Nesbitt	2	.582338
G–20	SW SE 28	Phillips	Nes	1	.611456
G–21	NW NE 33	Phillips	Eligah "B"	1	.812238
G–22	SW NE 33	Phillips	Eligah "B"	4	.565379
G–23	NW SE 33	Phillips	Eligah "D"	2	.594943
G–24	SW SE 33	Sunray Mid–Cont.	Jas. Walker	2	1.016207
H–4	SE SE 4	Sells Pet.	Anthis	1	.290597
H–5	NE NE 9	Phillips	Earl "A"	1	.454136
H–6	SE NE 9	Phillips	Bulgy	1	.594348
H–7	NE SE 9	Phillips	Waldron	1	.525042
H–8	SE SE 9	Phillips	Waldron	2	.475038
H–9	NE NE 16	Superior	Hogan	2	.442468
H–10	SE NE 16	Superior	Hogan–Kay	1	.467087
H–11	NE SE 16	Phillips	Arnett "B"	1	.459488
H–12	SE SE 16	Phillips	Gregory	1	.240875
H–13	NE NE 21	Superior	Curtiss	1	.352436
H–14	SE NE 21	Gulf	Lizzie Unit	1	.317742
H–15	NE SE 21	Sinclair	H. Simmons	1	.466677
H–16	SE SE 21	Osborn	Barnhill	2	.782887
H–17	NE NE 28	Phillips	Eligah "A"	1	.496870
H–18	SE NE 28	And.–Prichard	Thompson–Anna	1	.673048
H–19	NE SE 28	And.–Prichard	Nesbitt	1	.684800
H–20	SE SE 28	Phillips	Ringer	1	.826581
H–21	NE NE 33	Phillips	Eligah "B"	2	.644361
H–22	SE NE 33	Phillips	Eligah "B"	3	.647104
H–23	NE SE 33	Phillips	Eligah "D"	1	.628219
H–24	SE SE 33	Sunray Mid–Cont.	Jas. Walker	1	.438695
	T2N R3W				
H–25	NE NE 4	Carter	Irene Kerr	1	.470760
	T3N R3W				
I–5	NW NW 10	Phillips	Sarkeys	1	.313697
I–6	SW NW 10	Phillips	Clett	1	.629733
I–7	NW SW 10	Phillips	Parr	1	.862648
I–8	SW SW 10	Phillips	Parthel	1	.907470
I–9	NW NW 15	Superior	Hogan	3	.758328
I–10	SW NW 15	Phillips	Arnett "E"	1	.757396
I–11	NW SW 15	Phillips	Arnett "A"	1	.605535
I–12	SW SW 15	Phillips	Arnett "C"	1	.767571
I–13	NW NW 22	Phillips	Eula	1	.639979
I–14	SW NW 22	Phillips	Thompson "B"	1	.708392
I–15	NW SW 22	Hamon	Anna Simmons Unit	1	.349413
I–17	NW NW 27	Superior	Brock	22–27	.629583
I–18	SW NW 27	Superior	Brock	24–27	.884570

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PLAN OF UNITIZATION

PANTHER CREEK HART SAND UNIT

GARVIN COUNTY, OKLAHOMA

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TRACT	LOCATION	TRACT OPERATOR	LEASE NAME	WELL NUMBER	TRACT PERCENTAGE PARTICIPATION
I–19	NW SW 27	Superior	Brock	26–27	.706210
I–20	SW SW 27	Superior	Brock	28–27	.861727
I–21	NW NW 34	Phillips	Bitt	1	.539494
I–22	SW NW 34	Phillips	Golden "A"	1	.705629
I–23	NW SW 34	Phillips	Jobal	2	.746104
I–24	SW SW 34	Continental	Rose–Vose "A"	7	.535052
	T2N R3W				
I–25	NW NW 3	Continental	Rose–Vose "B"	1	.674602
I–26	SW NW 3	Continental	Rose–Vose	8	.558358
I–27	NW SW 3	Continental	Rose–Vose	10	.693869
I–28	SW SW 3	Sun	Gardner	2	.401455
I–29	NW NW 10	Sun	Gardner "B"	1	.387488
I–30	SW NW 10	Sunray Mid–Cont.	Poole	1	.341483
	T3N R3W				
J–5	NE NW 10	Phillips	Walden	1	.469121
J–6	SE NW 10	Phillips GAS	Walden	2	.397020
J–7	NE SW 10	Phillips	Burnham	1	.243734
J–10	SE NW 15	Phillips	Arnett "E"	2	.491154
J–11	NE SW 15	Phillips	Arnett F	1	.387396
J–12	SE SW 15	Phillips	Arnett G	1	.503003
J–13	NE NW 22	Phillips	Thompson "C"	1	.356429
J–14	SE NW 22	Phillips	Holmes	1	.338331
J–15	NE SW 22	Sun	Humphrey	2	.397009
J–18	SE NW 27	Phillips	Joreta	1	.729215
J–19	NE SW 27	Phillips	Hart	1	.641675
J–20	SE SW 27	Superior	Bell	48–27	.725642
J–21	NE NW 34	Phillips	Bruce	1	.747731
J–22	SE NW 34	Phillips	Nesbitt	1	.803282
J–23	NE SW 34	Phillips	Jobal	1	.646904
J–24	SE SW 34	Continental	Rose–Vose "A"	4	.566306
	T2N R3W				
J–25	NE NW 3	Continental	Rose–Vose	2	.482126
J–26	SE NW 3	Continental	Rose–Vose	6	.649233
J–27	NE SW 3	Continental	Rose–Vose	7	.627705
J–28	SE SW 3	Sun	Gardner	1	.681720
J–29	NE NW 10	Sun	Gardner "A"	1	.628054
J–30	SE NW 10	And.–Prichard	Poole	1	.362257
J–31	NE SW 10	And.–Prichard	Poole	2	.294151
J–32	SE SW 10	Rimrock Tidelands	Park	1	.768576
	T3N R3W				
K–19	NW SE 27	Phillips (GAS)	Panther	1	.563912
K–20	SW SE 27	Phillips	Basal	1	.594053
K–21	NW NE 34	Phillips	Tibsen	1	.581961
K–22	SW NE 34	Phillips	Baldie	1	.641203

TRACT	LOCATION	TRACT OPERATOR	LEASE NAME	WELL NUMBER	TRACT PERCENTAGE PARTICIPATION
K–23	NW SE 34	Continental	Vose–Nesbitt	1	.580145
K–24	SW SE 34	Continental	Rose–Vose "A"	2	.679939
	T2N R3W				
K–25	NW NE 3	Continental	Rose–Vose	1	.572394
K–26	SW NE 3	Continental	Rose–Vose	5	.422351
K–27	NW SE 3	Cities Service	Gardner "C"	1	.697903
K–28	SW SE 3	Cities Service	Gardner "E"	1	.809424
K–29	NW NE 10	Magnolia	Rose–Gardner	1	.743485
K–30	SW NE 10	Magnolia	C. Duker	5	.531723
K–31	NW SE 10	Magnolia	C. Duker	7	.645903
K–32	SW SE 10	Magnolia	C. Duker	6	.584655
	T3N R3W				
L–24	SE SE 34	Continental	Rose–Vose "A"	1	.542906
	T2N R3W				
L–25	NE NE 3	Continental	Rose–Vose	3	.656321
L–26	SE NE 3	Continental	Rose–Vose	4	.698633
L–27	NE SE 3	Cities Service	Gardner "B"	1	.865351
L–28	SE SE 3	Cities Service	Gardner D	1	.767186
L–29	NE NE 10	Magnolia	Rose	1	.718131
L–30	SE NE 10	Magnolia	C. Duker	2	.808734
L–31	NE SE 10	Magnolia	C. Duker	3	.218142
L–32	SE SE 10	Magnolia	Rose–Gibson	1	.703603
L–33	NE NE 15	Magnolia	C. Duker	4	.217775
M–26	SW NW 2	Ashland	G Rose–Vose Unit	1	.439577
M–27	NW SW 2	Ashland	Rose–Vose Unit	3	.333260
M–28	SW SW 2	Ashland	Rose–Vose Unit	5	.697245
M–29	NW NW 11	Ashland	G Rose–Vose Unit	6	.914327
M–30	SW NW 11	Superior	Bradshaw	1–11	.660848
M–31	NW SW 11	Phillips	Chem–Larnie	1	.673328
M–32	SW SW 11	Magnolia	C. Duker	1	.712203
M–33	NW NW 14	Phillips	Cleve	1	.579305
N–30	SE NW 11	Republic	Cotton	1	.814542
N–31	NE SW 11	Phillips	Cecelia	1	.846118
N–32	SE SW 11	Continental	Rose–Vose "D"	1	.764411
N–33	NE NW 14	Continental	Rose–Vose "C"	1	.744434
N–34	SE NW 14	Phillips	Herschel	1	.474751
O–31	NW SE 11	G? Pan–American	State of Okla. "B"	1	.676489
O–32	SW SE 11	Pan–American	State of Okla. "A"	1	.574900
O–33	NW NE 14	Phillips	Paxton "A"	1	1.114611
O–34	SW NE 14	Hamon	Fischel Unit	1	.907983
O–35	NW SE 14	Hamon	J. E. Park Unit	1	1.210793
P–33	NE NE 14	Phillips GAS	Sheppard	1	1.365950
P–34	SE NE 14	Phillips	John "B"	1	1.085169
P–35	NE SE 14	Phillips	Park	1	1.396481
			TOTAL		100.000000

166 wells

EXHIBIT " C "

Attached to and made a part of Plan of Unitization
Covering Panther Creek Hart Sand Unit
Garvin County, Oklahoma

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

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

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

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

2. Statements and Billings

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

A. Statement in detail of all charges and credits to the joint account.

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

C. Statements as follows:

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

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

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

3. Payments by Non-Operator

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

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DEVELOPMENT AND OPERATING CHARGES

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

1. Rentals and Royalties

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

2. Labor

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

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

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

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

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

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

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

6. Service

A. Outside Services:
The cost of contract services and utilities procured from outside sources.

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

7. Damages and Losses to Joint Property and Equipment

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

8. Litigation Expense

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

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

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

9. Taxes

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

10. Insurance and Claims

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

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

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

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's ... District ... office located at or near ... wherever situated ... (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice, that is, drilling wells shall be charged at rate of $150.00 each per month; other operations on a proportionate labor payroll basis.

12. Administrative Overhead

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

WELL BASIS (Rate Per Well Per Month)

Well Depth	DRILLING WELL RATE Each Well	PRODUCING WELL RATE (Use Completion Depth) First Five	Each Well Next Five	All Wells Over Ten
	$150.00		$20.00	

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

B. In connection with overhead charges, the status of wells shall be as follows:

(1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.

(2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.

(3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

(4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.

(5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.

(6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.

(7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.

(8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.

C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.

D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.

E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

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

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

No charge

14. Other Expenditures

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

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

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

2. Material Furnished by Operator

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

A. New Material (Condition "A")

(1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on carload basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.

(2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.

(3) Cash discount shall not be allowed.

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

(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.

(2) Material which cannot be classified as Condition "B" but which,

(a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning,

shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.

(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.

(4) *Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.*

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

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

5. Operator's Exclusively Owned Facilities

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

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

B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.

D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.

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

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

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

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

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such mat party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding cre made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected b from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid b

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

1. New Price Defined

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

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100 rent new price (plus sales tax if any).

3. Good Used Material

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

A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or

B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seve cent (75%) of new price.

4. Other Used Material

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

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

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

6. Junk

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

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Par above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so Operator may be represented when any inventory is taken.

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

2. Reconciliation and Adjustment of Inventories

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

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accounta Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

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

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PLAN OF UNITIZATION

PANTHER CREEK HART SAND UNIT

GARVIN COUNTY, OKLAHOMA

The following shall constitute the Plan of Unitization applicable to the Panther Creek Hart Sand Unit, Garvin County, Oklahoma, created pursuant to authority of Sections 287.1–287.15, Title 52, Okla. Statutes, 1951, and having for its purpose the unitized management, operation and further development of the Hart Sand common source of supply of oil and gas underlying the lands outlined by the hatched line on the map hereto attached and marked "Exhibit A", 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.

1. DEFINITIONS

As used in this Plan of Unitization, the following terms and expressions are defined as follows:

1.1 "Unit" shall mean the Panther Creek Hart Sand Unit.

1.2 "Commission" shall mean the Corporation Commission of the State of Oklahoma.

1.3 "Person" shall mean any individual, corporation, partnership, common law or statutory trust, association of any kind, the State of Oklahoma, or any subdivision or agency thereof acting in a proprietary capacity, guardian, executor, administrator, fiduciary of any kind or any entity capable of holding an interest in and to the Unit Area.

1.4 "Unit Production" shall mean and include all Oil and Gas produced from the Unit Area from and after the Effective Date, regardless of the well or tract within the Unit Area from which the same is produced.

1.5 "Lessee" shall mean any owner, in whole or in part, of an Oil and Gas lease, or any unleased mineral interest, who alone or in association with another person or persons has the right, except for this Plan of Unitization, to explore, develop and operate a Separately Owned Tract for Oil and Gas, and in so doing would be personally chargeable with a proportionate part of the cost and expense of the operation thereof. An owner of an overriding royalty interest, oil payment, carried interest, net profit contract, or other oil and gas rights of a similar nature, who is not personally chargeable with the cost and expense of operations, shall not be regarded as a Lessee.

1.6 "Unit Operator" shall mean and refer to the Lessees designated to carry on and conduct the unitized operations within the Unit Area, as provided in Section 11 hereof.

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

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

1.9 "Effective Date" shall mean the date on which the Unit assumes and takes over the operation of the Unit Area, as provided in Section 10 hereof.

1.10 "Unit Expense" shall include any and all cost, expense or indebtedness incurred by the Unit or Unit Operator, as authorized by this Plan of Unitization or the order of the Commission creating the Unit.

1.11 "Supervisor" shall mean the Oil and Gas Supervisor of the United States Geological Survey having jurisdiction.

2. NAME

2.1 Panther Creek Hart Sand Unit. The name of the Unit created hereby shall be Panther Creek Hart Sand Unit.

3. UNIT AREA

3.1 Unit Area. The Unit Area shall extend to and include all of the Hart Sand formation as defined by the Commission, underlying the lands outlined by the Hatched line on the map hereto attached, marked "Exhibit A" and made a part hereof, the same being a single common source of supply of Oil and Gas, located in Garvin County, Oklahoma.

4. SEPARATELY OWNED TRACTS

4.1 Separately Owned Tracts. Each well spacing or drilling unit as defined and established by Order No. 24555 of the Corporation Commission and Order No. 24997 in Cause CD No. 3046, and located within the Unit Area, shall be defined, regarded and treated as a Separately Owned Tract within the purview of this Plan of Unitization. The Separately Owned Tracts, as so defined and established, are shown on the map hereto attached and marked "Exhibit A".

5. GENERAL POWERS OF UNIT

5.1 General Powers. The Unit is authorized and empowered on behalf and for the account of all Lessees within the Unit Area. without profit to the Unit, to supervise, manage and conduct the further development and operation of the Unit Area for the production of Oil and Gas, pursuant to the power conferred and subject to the limitations imposed by the provisions of Sections 287.1–287.15, Title 52, O. S. Supplement 1955, and by this Plan of Unitization.

6. EFFECT OF UNITIZATION

6.1 Pooling of Leases. The adoption of this Plan of Unitization and the creation of the Unit as herein provided shall have the effect, from and after the Effective Date, of unitizing all further development and operations for the production of Oil and Gas from the Unit Area and of pooling and unitizing the production so obtained, all to the same extent as if the Unit Area had been included in a single lease and all rights thereunder owned by the lessees in undivided interests. Property rights, leases, contracts and all other rights and obligations in respect of the Oil and Gas Rights in and to the several Separately Owned Tracts within the Unit Area from and after the Effective Date hereof shall be and are hereby amended and modified to the extent necessary to make the same conform to the provisions and requirements of this Plan of Unitization, but otherwise to remain in full force and effect.

6.2 Relationship of Lessees. The relationship between the Lessees within the Unit Area, resulting from the creation of the Unit, shall not be that of a trust, partnership or association, but shall be in the nature of a tenancy in common.

6.3 No Transfer of Title. Nothing herein contained shall be construed to require or result in a transfer to or the vesting in the Unit of title to the Separately Owned Tracts within the Unit Area, or to the leases thereon, other than the right to use and operate the same to the extent set out in this Plan of Unitization; nor shall the Unit be regarded as owning any of the Unit Production. The Unit Production and the proceeds from the sale thereof shall be owned by the several persons to whom the same is allocated under this Plan of Unitization. All property, real or personal, which the Unit may in any way acquire,

hold or possess shall not be acquired, held or possessed by the Unit for its own account, but shall be so acquired, held and possessed by the Unit for the account and as agent of the several Lessees of Separately Owned Tracts within the Unit Area, and shall be the property of such Lessees, as their interests may appear under this Plan of Unitization, subject, however, to the right of the Unit to the possession, management and use, or disposal, of the same in the proper conduct of its affairs, and subject to any lien the Unit or Unit Operator may have thereon to secure the payment of the Unit Expense.

6.4 Production From Unit Area. The amount of the Unit Production allocated to each Separately Owned Tract and only that amount, regardless of the well or wells in the Unit Area from which it may be produced, and regardless of whether it be more or less than the amount of the production from the well or wells, if any, on any such Separately Owned Tract shall, for all intents, uses and purposes, be regarded and considered as production from such Separately Owned Tract.

6.5 Fulfillment of Lease Provisions. Operations carried on under and in accordance with this Plan of Unitization shall be regarded and considered as a fulfillment of and compliance with all the provisions, covenants and conditions, expressed or implied, of the several oil and gas mining leases covering any of the lands included within the Unit Area, or other contracts pertaining to the development thereof, to the same extent that the development and operation of and the production of Oil and Gas from each of the several Separately Owned Tracts within the Unit Area would have constituted a fulfillment of and compliance with such leases and contracts. Wells drilled or operated on any part of the Unit Area, no matter where located, shall for all purposes be regarded as wells drilled or operated on each Separately Owned Tract within the Unit Area.

7. ALLOCATION OF UNIT PRODUCTION

7.1 Allocation to Tracts. All Unit Production, except so much thereof as is used in the development and operation of the Unit Area, including repressuring, pressure maintenance and other operations carried on in accordance with this Plan of Unitization, or is unavoidably lost, shall be apportioned among and allocated to the several Separately Owned Tracts within the Unit Area in accordance with the participation percentages set forth and shown in "Exhibit B" hereto attached.

7.2 Distribution of Production to Tract Owners. Except as may be otherwise authorized or provided in this Plan of Unitization, the Unit Production allocated to each Separately Owned Tract shall be distributed among or the proceeds thereof paid to the several persons entitled to share in the production from such Separately Owned Tract in the same manner, in the same proportions and upon the same conditions that they would have participated and shared in the production from such Separately Owned Tract, or the proceeds thereof, had not the Unit been organized, and with the same legal force and effect. Royalty payable on Unit Production so apportioned and allocated to the restricted Indian leasehold interests in such Tracts, and the rentals provided for in the restricted Indian leases involved, shall be determined and paid on the basis respectively prescribed in such individual restricted Indian leases, and when such royalty on oil is paid in kind, such royalty oil shall be delivered as provided in the leases.

7.3 Delivery in Kind. Except as may be otherwise authorized or provided in this Plan of Unitization, and provided adequate provisions are made for the receipt thereof, the share of the Unit Production allocated to each Separately Owned Tract shall be delivered in kind to the persons entitled thereto by virtue of ownership of Oil and Gas Rights therein or by purchase from such owners, subject, however, to the right of the Unit Operator to withhold and sell the same in payment of Unit Expense pursuant to this Plan of Unitization, and subject further to the right of the Unit Operator to take and use such portion of the Unit Production (including residue gas) as may be required for operating purposes, including repressuring, pressure maintenance and any other operation carried on pursuant to this Plan of Unitization. Persons so entitled to take and receive in kind any portion of the Unit Production shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, providad the same are so constructed, maintained and operated as not to interfere with the operations carried on pursuant hereto.

7.4 Failure to Take in Kind. In the event any person entitled to receive Unit Production in kind shall fail to take and receive the same currently as and when produced, the other persons hereto entitled to receive Unit Production in kind may elect, by so notifying the Unit Operator in writing, to purchase such production. If two or more persons elect to purchase said production, the same shall be delivered to them proportionately: provided, that if no person hereto elects to purchase said production, the Unit Operator, for the account and at the expense of such person entitled to receive such production, may sell or itself purchase the same. The price to be paid, in any event, shall be at not less than the market price prevailing at the time of such sale or purchase, and payments therefor shall be made by the persons purchasing said production or the Unit Operator, if such production is sold by it, direct to the person or persons for whose account the same is so marketed.

7.5 Payment of Royalties and Taxes. The person or persons receiving in kind the Unit Production allocated to any Separately Owned Tract, or receiving the proceeds of such Unit Production if the same is marketed and sold, or purchased by the Unit Operator, shall be responsible for the payment of, and shall indemnify the Unit, the other Lessees and the Unit Operator against any liability for, any and all royalties, overriding royalties, production payments, gross production taxes and any and all other payments and taxes chargeable against or payable out of the Unit Production which is received in kind by, or the proceeds of which are paid to, such person or persons, and neither the Unit nor the Unit Operator shall have any responsibility or liability for payment of such royalties, overriding royalties, production payments, gross production taxes or the other payments or taxes.

7.6 Production When Title in Dispute. If at any time the title or right of any person claiming the right to receive in kind all or any portion of the Unit Production allocated to a Separately Owned Tract is in dispute or is disapproved by the Operating Committee, the Unit Operator shall, at the direction of the Operating Committee, either

a. Withhold and market, or itself purchase, the portion of the Unit Production title to which is in dispute or is disapproved, and impound the proceeds thereof until such time as the title or right thereto is established by final judgment of a court of competent jurisdiction, or otherwise, to the satisfaction of the Unit Operator, whereupon, the proceeds so impounded shall be paid, without interest, to the person or persons rightfully entitled thereto; provided, that royalty accrued on any Unit Production allocated to the restricted Indian leasehold interest in a Separately Owned Tract, title to which production is in dispute, shall be paid to the Five Civilized Tribes Agency; or

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

7.7 Use of Production in Operations. The Unit Operator shall have the right to take and utilize so much of the Unit Production as may be necessary or desirable in the development and operation of the Unit Area, including, but without being limited to, the use of gas (including residue gas) for repressuring, pressure maintenance or other operations carried on in accordance with this Plan of Unitization. No royalties, overriding royalties, production payments or other payments shall be payable upon or with respect to that portion of the Unit Production so taken and utilized by the Unit Operator, or which may be lost in handling or otherwise without want of due diligence on the part of the Unit Operator.

7.8 Accounting for Outside Gas. Outside Gas which is injected into the Unit Area shall be metered and a record kept thereof and thereafter fifty per cent (50%) of any gas, including casinghead gas, which is produced and saved from the Unit Area and which is not needed for Unit Operations and is available for delivery to the Lessees shall be considered to be Outside Gas until the aggregate volume of such percentage of such gas equals the volume of such Outside Gas so injected into the Unit Area, and such gas shall be allocated and delivered to the Lessees the same as Unit Production except that no royalties, overriding royalties, payments out of production or other payments shall be due or payable with respect thereto; provided, however, liquid hydrocarbons recovered and saved therefrom shall be treated and regarded as Unit Production.

7.9 Limitation on Right to Market Production. Any and all authority conferred upon the Unit Operator by the Plan of Unitization to take and market, or itself purchase, the Unit Production accruing to the credit or interest of any Lessee or other person (other than the Unit Operator) shall be limited to the marketing or purchasing of such Unit Production on a day to day basis, currently as and when produced, and nothing contained in the Plan of Unitization shall be deemed to authorize the Unit Operator to sell any such Unit Production under a contract or contracts providing for the future delivery thereof.

7.10 Sale to Pay Unit Expense. In the event of the failure of a Lessee to pay its share of the Unit Expense when due, the Unit Operator shall, except as otherwise provided in this Plan of Unitization, be entitled to take and market or itself purchase the Unit Production to the credit of such Lessee, or to the crdit of the interest or interests chargeable with or subject to the lien of such Unit Expense, during such time or times as such Lessee fails to pay its share of Unit Expense when due, with accrued interest thereon; provided however, that the Unit Operator shall not be entitled to so take and market or itself purchase such Unit Production if, and during such time as,

a. Such Unit Production is sold by the Lessee or other person or persons entitled thereto at prices not less than the current market prices prevailing from time to time, and
b. The proceeds thereof are made payable to the Unit Operator by the execution and delivery of a good an sufficient assignment, division order, transfer order or other appropriate instrument.

8. OPERATING COMMITTEE

8.1 Creation, Officers and Representatives. An Operating Committee is hereby created to consist of one representative to be designated by each Lessee within the Unit Area, provided that an individual Lessee may himself be a member of the Committee. Such designation shall be in writing and with respect to the representative to participate at the organization meeting of the Committee shall be presented at such meeting, or if thereafter made, shall be filed with the Chairman of the Operating Committee. Any such Lessee may in like manner,

a. Designate an alternate representative on the Operating Committee, who, in the absence of the Lessee, or its regular representative, shall have the same full right and power to represent the interest of such Lessee, or
b. May from time to time discharge any such regular or alternate representative and designate a new representative to act for such Lessee on the Operating Committee.

8.2 Powers. The Operating Committee shall have the general over-all management and control of the Unit and the conduct of its business affairs and the operations carried on by it, and is authorized and empowered, subject to the terms and provisions hereof, to do all things necessary, proper and convenient for carrying out the terms and spirit of this Plan of Unitization and to that end, not excluding or limiting any other power or powers that may be necessary or proper for that purpose, shall have the following specific powers and duties:

a. To adopt rules and regulations for the proper functioning of the Operating Committee, including such matters as the time and places of holding meetings, the giving notice and calling thereof, and the manner of taking the vote on any question, all in a manner not inconsistent with the express requirements of this Plan of Unitization.
b. To remove any Unit Operator.
c. To select a successor to any Unit Operator.
d. To determine the extent of drilling operations and development to be carried on by the Unit Operator, including the approval or disapproval of the contemplated drilling, deepening, plugging back, reconditioning, abandonment or the use to be made of any well or wells.
e. To pass upon and approve or disapprove all costs and estimates of costs, and any proposed expenditures by the Unit Operator; provided, the committee may permit, without prior approval by it, the incurring of normal operating expense and any proposed expenditure by the Unit Operator of not more than Ten Thousand Dollars ($10,000.00); provided, further, that the approval by the Operating Committee of the drilling of any well or wells or carrying out any specific project of development or operation shall mean and include the approval of all necessary expenditures in drilling, completing and equipping such well or wells or carrying out such project.

f. To pass upon, approve or disapprove the purchase, sale or other disposal of materials and equipment by the Unit Operator.

g. To approve and authorize the purchase, construction, location, abandonment, sale or other disposal of any compressor plant, gasoline plant, tank batteries, salt water disposal system or other facilities serving the Unit Area.

h. To determine the manner in which, the location at which, and the extent to which gas or water, or both, can best and should be injected into the reservoir to accomplish the Plan of Operation set forth in Section 15 hereof.

i. To provide for periodic inventories of Unit equipment.

j. To appoint such subcommittees as it may deem proper and requisite, to act under the authority and subject to the control of the Operating Committee consonant with the terms of this Plan of Unitization.

k. To approve or disapprove any proposed plan of development or operation, or amendment thereof, required to be submitted to any regulatory body having jurisdiction of the subject matter thereof.

l. To approve or disapprove any proposed expenditures for expert technical advice, including any extra services rendered by the Unit Operator's technical staff, not contemplated by the provisions of the accounting procedure hereto attached, marked "Exhibit C", and not covered by the overhead charges therein authorized.

m. To direct and consult with the Unit Operator in all matters pertaining to the duties and functions of the Unit Operator.

n. To provide for the finances in the manner herein provided for the carrying on of the Unit Operations hereunder.

8.3 Minutes. Minutes shall be made of all meetings of the Operating Committee and kept as a part of the permanent records of the Unit. Such minutes need not be a verbatim record of all the proceedings, but shall show and reflect,

a. The names of all members present at the meeting,

b. All motions and resolutions offered or acted upon, together with the result of such action, and

c. Such other formal action as may be taken by the Committee.

A copy of the minutes of each meeting shall be mailed to each member of the Operating Committee and Supervisor within a reasonable time after the meeting.

8.4 Notices. Notices or other communications addressed and sent to the Unit or to the Operating Committee by United States mail, or telegraph, in care of the Unit Operator, shall be deemed to have been properly given to or served upon the Operating Committee or Unit, as the case may be. The Unit Operator shall promptly deliver all such notices or communications to the Chairman or Secretary of the Operating Committee.

9. VOTING PROCEDURE

9.1 Required Approval. All action of the Operating Committee shall be by affirmative vote of two or more Lessees having sixty per cent (60%) of the voting interest in the Unit; provided, however, if any single Lessee has a voting interest in excess of thirty five per cent (35%) and such Lessee fails to vote or votes against a motion or resolution, the affirmative vote of two or more Lessees having ninety per cent (90%) of the remaining voting interest in the Unit shall control.

9.2 Removal of Unit Operator. The affirmative vote of Lessees having ninety per cent (90%) of the voting interest remaining after excluding the voting interest of the Unit Operator shall be necessary to authorize the removal of a Unit Operator.

9.3 Voting Interest. The voting interest of the several Lessees represented on the Operating Committee shall be as follows:

a. In respect of each Separately Owned Tract, the Lessee or Lessees thereof shall have a vote in proportion to the percentage that such tract shares in the Unit Production.

b. Should there be more than one Lessee of a Separately Owned Tract, the vote in respect thereof shall be divided between such Lessees in proportion as such Lessees share in the Unit Expense chargeable to such tract.
c. The vote of a Lessee having an interest in more than one Separately Owned Tract shall be the sum total of the votes of such Lessee in respect of all such tracts.

9.4 Proxies and Letter Ballots. The Operating Committee may establish procedures whereby Lessees may vote by proxy or whereby the Unit Operator may poll the Lessees by letter ballot to secure their approval on any action necessary to proper conduct of the Unit operations. The results of such a poll shall be reported and made a part of the minutes of the next succeeding meeting of the Operating Committee.

10. ORGANIZATION OF UNIT AND EFFECTIVE DATE

10.1 Call of Organizational Meeting. Subject to call by Lessees of record owning fifty per cent (50%) or more of the area in the Unit, the representatives designated by the several Lessees to serve on the Operating Committee shall meet at some convenient place to perfect the organization of the Operating Committee. Such meeting may be held any time after twenty (20) days from the date of the order of the Commission approving this Plan of Unitization. Notice of the time and place of said meeting shall be mailed at least ten (10) days prior thereto to all Lessees within the Unit Area whose names and addresses are known to the Lessees calling said meeting, as well as those Lessees who shall have, within ten (10) days from the date of said order, notified the Secretary of the Commission in writing of their desire to be so notified of the meeting. Any Lessee within the Unit Area desiring notice of such meeting may file a statement of such desire with the Secretary of the Commission, giving its name and the address to which it desires the notice to be sent.

10.2 Officers. The Operating Committee shall organize by selecting a Chairman, a Secretary and such other officers as to the Committee may seem proper. The Chairman shall be selected from among the members of the Operating Committee. The Secretary and other officers may or may not be members of the Committee. The Chairman shall preside at all meetings of the Operating Committee when he is present, and shall be the Chief Executive Officer of the Unit. In the absence of the Chairman the representative on the Committee of the Lessee represented by the Chairman shall perform all the duties of the Chairman. The Secretary shall keep and maintain all the records of the Committee and shall also be Secretary of the Unit. Such officers shall serve at the will of the Operating Committee and perform such other duties as are delegated to them by the Operating Committee.

10.3 Effective Date. Upon completion of its organization, the Operating Committee shall proceed to make plans and preparations and take such steps as are necessary for the taking over of the unitized operations and further development of the Unit Area by the Unit, shall in advance thereof fix the time when the Unit will take over such operation and development, and give the Lessees within the Unit Area reasonable notice thereof. The time so fixed shall not be less than sixty one (61) days after the entry of the order of the Commission finding that this Plan of Unitization has been signed, ratified or approved by Lessees and royalty owners owning the required percentage interest in and to the Unit Area to make the same effective, nor more than five (5) months after the time when said order shall become final. The time when the Unit takes over the operation and further development of the Unit Area shall be the time when the Plan of Unitization herein provided shall become and be effective.

10.4 Failure to Take Over Operations. In the event the Unit shall fail to assume and take over the operations of the Unit Area on or before five (5) months after the time when the order of the Commission approving this Plan of Unitization shall have become final, then and in that event the Unit shall, without further action on the part of the Operating Committee, or the Commission, be dissolved and all rights and obligations under this Plan of Unitization shall be at an end, except that any and all cost and expense incurred by the Unit incident to its organization or preparatory to the taking over of the operation of the Unit Area shall be borne and paid for by the Lessees whose representatives on

the Operating Committee by their vote authorized the incurring of such expenses, in proportion as the interest of each such Lessee in and to the Unit as determined by the participation percentages set forth in "Exhibit B" bears to the total interest of all such Lessees in and to the Unit as determined by said participation percentages set forth in said "Exhibit B".

10.5 Duration. In the event that the Unit assumes and takes over the operation of the Unit Area within the time so named, this Plan of Unitization shall thereafter remain in force and effect until such time as the Unit is dissolved and abandoned, as provided in Section 25 hereof or until superseded as by law provided.

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

10.7 Filing. The Unit on or before five (5) days after the Effective Date hereof shall submit to the County Clerk of Garvin County, Oklahoma, for filing, a written declaration, signed by the Chairman and Secretary of the Operating Committee, setting forth:

a. The hour, day, month and year on which the Unit took over the operation of the Unit Area.
b. A description or plat of the lands included within the Unit Area; and
c. The cause, number and date of the Commission order approving this Plan of Unitization, with an appropriate reference to such order and the files of the Commission for further information concerning this Plan of Unitization.

A like declaration, within the same time, shall be filed with the Secretary of the Commission, and (5 copies) with the Supervisor.

11. UNIT OPERATOR

11.1 Operation Conducted by Unit Operator. Subject to the further provisions of this Plan of Unitization, operations in connection with the development and the operation of the Unit Area for Oil and Gas shall be carried on and conducted by the Unit Operator in accordance with the instructions of the Operating Committee.

11.2 Initial Unit Operator. The initial Unit Operator shall be Phillips Petroleum Company.

11.3 Duties. The Unit Operator shall:

a. Conduct all such operations hereunder in a good and workmanlike manner in accordance with applicable regulations.
b. Keep true and correct books, accounts and records of its operations hereunder, which shall be made available for inspection at all reasonable times by any of the Lessees within the Unit Area.
c. Mail to each Lessee on or before the tenth (10th) day of each calendar month a full, true and correct statement of all Unit Production during the preceding calendar month, and also furnish the Supervisor a monthly report of operation, the statement of oil and gas runs and royalties, together with such reports as are deemed necessary to compute the monthly royalties due the restricted Indian lessors.
d. Comply, to the extent of its operations within the Unit Area, with the Workmen's Compensation Laws of the State of Oklahoma, and with all other valid and applicable laws and regulations.
e. Carry insurance or otherwise provide protection comparable to insurance with respect to unit operations and facilities as follows:
   (1) Workmen's compensation insurance in compliance with the Workmen's Compensation Law of the State of Oklahoma
   (2) Employer's liability insurance with a minimum limit of $100,00.00.

(3) Public liability insurance with minimum limits of $100,000.00 for injuries to one person, $200,000.00 for injuries to more than one person in any one accident, and $25,000.00 property damage.

(4) Automobile public liability and property damage insurance with limits of $100,000.00 for injuries to one person, $300,000.00 for injuries to more than one person in any one accident, and $10,000.00 property damage.

(5) Such additional insurance as may be required by the Operating Committee.

All insurance purchased by Unit Operator shall be for the benefit of all Lessees and be charged to Unit Expense. Where Unit Operator provides protection comparable to insurance, then it shall charge as Unit Expense an amount equal to the premium applicable to the protection provided. No charge shall be made for automobile public liability and property damage insurance on Unit Operator's exclusively owned automotive equipment but instead the cost thereof shall be included in the rates charged for the use of such equipment as provided in Paragraph 5 B of Section III of "Exhibit C".

f. Keep the land and leases within the Unit Area free from liens and encumbrances occasioned by the operations of the Unit Operator, save only the lien granted the Unit and the Unit Operator under this Plan of Unitization.

The Operating Committee may by the vote provided in paragraph 9.2 remove a Unit Operator at any time. A Unit Operator may resign only after giving the Operating Committee six (6) months' written notice of intention to resign, or sooner if a successor is selected or has assumed the duties of Unit Operator prior to the end of such time. Upon the removal or resignation of a Unit Operator, the Operating Committee shall designate a successor Unit Operator from among the Lessees within the Unit Area in accordance with the voting provision of paragraph 9.1.

12. UNIT EXPENSE

12.1 Payment of Costs. The Unit Operator in the first instance shall pay and discharge all cost and expense incurred in the development and operation of the Unit Area and in the conduct of the activities and affairs of the Unit. All such cost and expense incurred in the development and operation of the Unit Area shall be in accordance with the accounting procedure hereto attached, marked "Exhibit C", and made a part hereof. All other costs and expense shall be only such sums as are approved by the Operating Committee.

12.2 Charge to Tracts. All such Unit Expense, as it accrues, shall be charged to the several Separately Owned Tracts in the Unit Area in proportion to the percentage of interest of such tracts in and to the Unit Production, as determined in accordance with participation table set forth in "Exhibit B", hereto attached.

12.3 Responsibility of Owners in Each Separate Tract. Except as may be otherwise hereinafter specifically provided, a Lessee or Lessees obligated or responsible for the cost and expense of operating a Separately Owned Tract for Oil and Gas in the absence of unitization shall, in the same proportion and to the same extent, be chargeable with and responsible for the payment of the Unit Expense charged against such Separately Owned Tract.

12.4 Mailing of Statement of Costs. The Unit Operator shall, on or before the last day of each calendar month, mail to each Lessee within the Unit Area a statement (which unless otherwise agreed to shall be itemized) of all charges and credits during the preceding month and of the amount due from or to each such Lessee with respect to its interest in the Unit Area. If the Unit Operator so elects, such statement of account may also include a charge by way of an advance of the proportionate part of the estimated Unit Expense for the ensuing month chargeable to the Lessee against whom such statement is rendered, using as a basis therefor the budget hereinafter provided for. Except as may be otherwise provided herein, each Lessee chargeable with the payment thereof shall, within fifteen (15) days from the mailing of such statement, pay to the Unit Operator the amount thereof. If not paid when due, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid. Payment of

any such statement shall not prejudice the right of any Lessee to protest or question the correctness thereof; provided, the Unit Operator shall not be required to adjust any item of charge or credit unless a claim therefor has been presented in writing within six (6) months after the approval by the Operating Committee of the audit for the period in which the charge or credit was made.

12.5 Budgets. Before or as soon as practical after the Effective Date hereof, the Operating Committee, acting in conjunction with the Unit Operator, shall prepare a budget of estimated Unit Expense for the remainder of the calendar year and on or before the first day of each November thereafter shall prepare a budget of estimated Unit Expense for the ensuing calendar year, which budgets shall set forth the estimated Unit Expense by quarterly periods. Unless otherwise specified in the budget, it shall be presumed for the purpose of advance billings, as aforesaid, that the estimated Unit Expense for each month of a quarterly period shall be one-third (1/3) of the estimate for the quarterly period. Budgets so prepared shall be estimates only and shall be subject to adjustment and correction by the Operating Committee and Unit Operator from time to time whenever it shall appear that an adjustment or correction is proper. A copy of each such budget and adjusted budget shall be promptly furnished each Lessee within the Unit Area.

12.6 Non-Payment by Individual Lessee. In the event a Lessee other than a Lessee signing or ratifying this Plan of Unitization, is unable to promptly meet its financial obligations in connection with the Unit, the unpaid balance of its portion of Unit Expense shall be carried by the Lessees signing or ratifying this Plan of Unitization, and such amount shall bear interest at the rate of six per cent (6%) per annum, compounded annually, and shall be due and payable out of total proceeds from such carried Lessee's share of the Unit Production and out of all credits to any such Lessee on account of the sale or other disposal of surplus material or equipment.

12.7 Billing of Defaulted Payments. Amounts so carried as aforesaid in Paragraph 12.6 shall be billed to and paid by all Lessees signing or ratifying this Plan of Unitization, in the proportion that the interest of each in the Unit bears to the total interest in the Unit of all such Lessees. Lessees so paying the same shall be reimbursed therefor, together with interest thereon, as and when the amounts so carried and the interest thereon are collected from the Lessees primarily chargeable therewith.

12.8 Lien. The Unit shall have the first and prior lien upon the leasehold interest (exclusive of a 1/8 royalty interest) in and to each Separately Owned Tract, the interest of the owners thereof in and to the Unit Production and all equipment in possession of the Unit to secure the payment of the Unit Expense and other items of cost properly charged to and against such Separately Owned Tract, provided that such lien may be enforced as against overriding royalty interests, oil and gas payments, royalty interests in excess of a one-eight (1/8) of the production, or other interests which otherwise are not chargeable with such costs, only in the event the owner of the interest or interests primarily responsible fails to pay such Unit Expense when due and the production to the credit thereof is insufficient for that purpose. In the event the owner of any royalty interest, overriding royalty, oil and gas payment or other interest which under the Plan of Unitization is not primarily responsible therefor pays any part of such Unit Expense for the purpose of protecting such interest, or the amount of such Unit Expense in whole or in part is deducted from the Unit Production to the credit of such interest, the owner thereof shall, to the extent of such payment or deduction, be subrogated to all of the rights of the Unit and of the Unit Operator with respect to the interest or interests primarily chargeable with such Unit Expense. A one-eight (1/8) part of the Unit Production allocated to each Separately Owned Tract shall in all events be regarded as royalty to be distributed to and among, or the proceeds thereof paid to, the royalty owners, free and clear of all Unit Expense and free of any lien therefor. The lien hereinabove provided for shall be for the use, benefit and protection of the Unit Operator, or other Lessees, or persons entitled to receive or share in the moneys the payment of which is secured thereby, and in the event of failure of the Unit to enforce such lien, the Unit Operator or other person entitled to the benefit thereof shall be subrogated to the lien rights of the Unit, including the right of foreclosure.

12.9 Marketing of Production to Recover Costs. In the event of a failure of any Lessee to pay its share of