

Model Unit Agreement for Development and Production Units

Appropriate information should be entered in the Model Unit Agreement for Development, and Production Units in the following areas:

1. Cover Page - Unit name, blocks, and area.
2. Articles 3.1, 3.2, and 3.4 - Enter reservoir information.
3. Article 4.1 - Enter name of unit operator.
4. Article 6.1 - Make selection (1, 2, or 3).
5. Article 10.1 - Enter reservoir information.
6. Article 13.1 - Enter effective date of unit.
7. Exhibits A, B, and C.

If you vary your draft Unit Agreement from the model agreement, please provide a list of your deviations from the model and an explanation justifying each deviation. After the Regional Supervisor accepts your unitization proposal, three duly executed copies of the Unit Agreement and three duly executed copies of the Unit Operating Agreement are required along with an acceptable initial plan of operations. Upon approval, one copy of the Unit Agreement and Unit Operating Agreement will be returned bearing our receipt stamp.

**MODEL UNIT AGREEMENT
FOR
DEVELOPMENT AND PRODUCTION UNITS**

**UNIT AGREEMENT FOR OUTER CONTINENTAL SHELF
DEVELOPMENT AND PRODUCTION OPERATIONS**

ON THE _____ UNIT

BLOCKS

_____ AREA

OFFSHORE

CONTRACT NO.

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Witnesseth:

WHEREAS, Section 5(a) of the Act authorizes the Secretary of the Interior (Secretary) to prescribe rules and regulations which shall provide for unitization, pooling, and drilling agreements;

WHEREAS, pursuant to the rules and regulations of the Secretary, 30 CFR 250.1300, *et seq.*, it is deemed to be in the interest of conservation, prevention of waste, or protection of correlative rights to unitize the oil and gas interests in the unit area; and

WHEREAS, it is deemed to be necessary in the interest of conservation, for the prevention of waste, or for the protection of correlative rights to conduct development and production operations in the unit area as though the area were subject to a single lease;

NOW, THEREFORE, in consideration of the premises and promises contained herein, it is agreed that:

Article I-----Definitions

The following definitions of terms shall apply to this Agreement:

ACT means the OCS Lands Act of 1953, as amended, 43 U.S.C. 1331, et seq.

AGREEMENT means this Unit Agreement, approved by the Regional Supervisor for conducting development and production operations within the unit area.

BLOCK means an area designated as a block on a U.S. Official Leasing Protraction Diagram for an area of the OCS.

PAYING QUANTITIES as used herein means the production of oil and/or gas in quantities sufficient to yield a return in excess of operating costs.

REGIONAL SUPERVISOR means the Regional Supervisor of MMS, Department of the Interior (DOI), or a designee authorized and empowered to regulate and approve unit operations.

REGULATIONS means all rules prescribed or adopted pursuant to the Act. They include all regulations prescribed or amended at any time to provide for the prevention of waste, conservation of natural resources of the OCS, and the protection of correlative rights therein.

RESERVOIR means an underground porous, permeable medium containing an accumulation of oil or gas or both. Each zone of a general structure containing such an accumulation that is separated from any other accumulation of oil or gas or both in the structure is a separate "reservoir."

UNIT AREA means the area of the OCS which is made subject to this Agreement and described in Article III.

UNIT OPERATING AGREEMENT means an agreement made between the working-interest owners and the Unit Operator providing for the apportionment of costs and liabilities incurred in conducting operations pursuant to this Agreement and the establishment of such other rights and obligations as they deem appropriate.

UNIT OPERATOR means the person, association, partnership, corporation, or other business entity designated by the working-interest owners and approved by the Regional Supervisor to conduct unit operations within the unit area in accordance with a plan of operation approved pursuant to the Act, applicable regulations and this Agreement.

UNITIZED SUBSTANCES means oil and/or gas within the reservoir(s) that underlie the unitized lands and which are recovered or produced by operations pursuant to this Agreement.

WORKING INTEREST means an interest in the unit area held by virtue of a lease, operating agreement, or other contractual arrangement under which, except as otherwise provided in the Agreement, the rights or authority to explore for, develop, and produce oil and gas are conferred. The right delegated to the Unit Operator by this Agreement is not a working interest.

WORKING-INTEREST OWNER means a party to this Agreement that owns a working interest.

Article II-----Incorporation

All provisions of the Act, the regulations, other applicable laws, and the leases covering OCS lands within the unit area are made part of this Agreement.

Article III-----Unitized Reservoir, Unit Area, and Exhibits

3.1 The (_____, Reservoir _____), is defined as that productive zone occurring within the interval _____ feet to _____ feet, electric log depths, in Well No. _____, Lease OCS _____, hereinafter referred to as the unitized reservoir.

3.2 The area specified in Exhibit "A" is hereby designated and recognized as overlying the unitized reservoir and as constituting the unit area containing _____ acres, more or less. All oil and/or gas produced from the unitized reservoir, which lies within the unit area, are unitized under the terms of this Agreement and are referred to herein as unitized substances.

3.3 The above unit area may, subject to appropriate approval, be expanded to include therein additional acreage whenever such expansion is necessary or advisable to conform with the purposes of this Agreement.

3.4 Exhibit "A," attached hereto and made a part hereof, is a plat showing the unit area, boundaries, and oil and gas leases in said area. Exhibit "B," attached hereto and made a part hereof, is a schedule showing the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. Exhibit "C," attached hereto and made a part hereof, is a schedule setting out the number of productive net _____ acre-feet creditable to each tract under original reservoir conditions and the percentage of unit participation credited to each tract in the unit area. The number of net _____ acre-feet and the percentage of unit participation credited to each tract in Exhibit "C" are accepted and approved by the Regional Supervisor. Exhibits "A," "B," and "C" shall be revised by the Unit Operator whenever changes render it necessary, and three copies shall be filed with the Regional Supervisor for approval.

Article IV-----Designation of Unit Operator

4.1 _____ is designated as the Unit Operator and agrees to accept the rights and obligations of the Unit Operator to develop and produce oil and/or gas as provided in this Agreement.

4.2 Except as otherwise provided in this Agreement and subject to the terms and conditions of approved plans of operations, the exclusive rights and obligations of the owners of working interests to conduct unit operations to develop and produce oil and/or gas in the unit area are delegated to and shall be exercised by the Unit Operator. This delegation neither relieves a lessee of the obligation to comply with all lease terms nor transfers title to any lease or operating agreement.

4.3 The unit operator shall comply with the Department of the Interior's nonprocurement debarment and suspension regulations as required by Subpart C of 43 CFR Part 42 and shall communicate the requirement to comply with these regulations to persons with whom it does business related to this unit by including this term in its contracts and transactions.

Article V-----Resignation or Removal of Unit Operator

5.1 The Unit Operator shall have the right to resign at any time. Such resignation shall not become effective until 60 days after written notice of an intention to resign has been delivered by the Unit Operator to the working-interest owners and the Regional Supervisor and until all platforms, artificial islands, installations, and other devices, including wells used for conducting operations in the unit area are placed in a condition satisfactory to the Regional Supervisor for the transfer of operations, or, if no successor Unit Operator has been designated, for suspension or abandonment of operations. If a successor Unit Operator is designated and approved as provided in Article VI, the resignation shall be effective upon the designation and approval of the successor Unit Operator.

5.2 The Unit Operator may be subject to removal by the same percentage vote of the owners of working interests as provided in Article VI for the designation of a successor Unit Operator. This removal shall not be effective until the working-interest owners notify the Regional Supervisor and the Unit Operator and until the Regional Supervisor approves the designation of a successor Unit Operator.

5.3 The resignation or removal of the Unit Operator shall not release the Unit Operator from liability for any failure to meet any obligations which accrued before the effective date of resignation or removal.

5.4 The resignation or removal of the Unit Operator shall not terminate any right, title, or interest as the owner of a working interest or other interest in the unit area. However, when the resignation or removal of the Unit Operator becomes effective, the Unit Operator shall relinquish to the successor Unit Operator all wells, platforms, artificial islands, installations, devices, records, and other assets all owned solely by the unit joint account.

Article VI-----Successor Unit Operator

6.1 Whenever the Unit Operator tenders its resignation as Unit Operator or is removed as provided in Article V, a successor Unit Operator may be designated by (a) an affirmative vote of the owner(s) of a majority of the working interests, based on (1) their respective shares of the acreage subject to this Agreement; (2) their respective estimated volumes of oil or gas, or both, originally in place; or (3) their decision pursuant to the Unit Operating Agreements, and (b) the successor Unit Operator's acceptance in writing of the rights and obligations of the Unit Operator. The successor Unit Operator shall file with the Regional Supervisor two executed copies of the designation of successor. However, the designation shall not become effective until approved by the Regional Supervisor.

6.2 If no successor Unit Operator is designated as herein provided within 60 days following notice to the Regional Supervisor of the Unit Operator's intent to resign or removal of

a Unit Operator, the Regional Supervisor may elect to designate one of the working-interest owners other than the Unit Operator as successor Unit Operator or may declare this Agreement terminated.

Article VII-----Unit Operating Agreement

7.1 The owners of working interests and the Unit Operator shall enter into a Unit Operating Agreement which shall describe how all costs and liabilities incurred in maintaining or conducting operations pursuant to this Agreement shall be apportioned and assumed. The Unit Operating Agreement shall also describe how the benefits which may accrue from operations conducted on the unit area shall be apportioned.

7.2 The owners of working interests and the Unit Operator may establish by means of one or more Unit Operating Agreements such other rights and obligations as they deem necessary or appropriate. However, no provision of the Unit Operating Agreement shall be deemed to modify the terms and conditions of this Agreement or to relieve the working-interest owners or the Unit Operator of any obligation set forth in this Agreement. In case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, the terms of this Agreement shall prevail.

7.3 Three copies of the Unit Operating Agreement executed in conjunction with the first paragraph of this Article shall be attached to this Agreement when it is filed with the Regional Supervisor with a request for approval. Three copies of all other Unit Operating Agreements and any amendments thereto also shall be filed with the Regional Supervisor within 30 days of final execution.

Article VIII-----Appearances and Notices

8.1 The Unit Operator shall, after notice to other parties affected, have the right to appear on behalf of all working-interest owners before the DOI or any other body legally

empowered to issue decisions concerning orders or regulations of the DOI and to appeal from these decisions. The expense of these appearances shall be paid and apportioned as provided in the Unit Operating Agreement. However, any affected working-interest owners shall have the right at their own expense to be heard in any proceeding.

8.2 Any order or notice relating to this Agreement which is given to the Unit Operator by the Regional Supervisor shall be deemed given to all working-interest owners of the unit area. All notices required by this Agreement to be given to the Unit Operator or the owners of working interests shall be deemed properly given if in writing and delivered personally or sent by prepaid registered or certified mail to the addresses set forth below or to such other addresses as may have been furnished in writing to the party sending the notice.

Article IX-----Plan of Operation

9.1 The Unit Operator shall submit plans of operation which are consistent with the requirements for a Development and Production Plan as required by the Act, Subpart B of 30 CFR Part 250, and other sections of the regulations. All operations within the unit area shall be conducted in accordance with an approved plan.

9.2 When no oil or gas is being produced in paying quantities from the unit area and when all or part of the area is subject to one or more leases beyond the primary term, a continuous drilling or well-reworking program shall be maintained with lapses of no more than 180 days per lapse between such operations unless a suspension of production or other operation has been ordered or approved by the Regional Supervisor, or unless extended pursuant to 30 CFR 250.180(e). The plan may call for a cessation of drilling operations for a reasonable period of time after the discovery and delineation of this unitized reservoir when such a pause in drilling activities is warranted to permit the design, fabrication, and erection of platforms and other installations needed for development and production operations, provided a suspension of production or other operation has been ordered or approved by the Regional Supervisor.

9.3 An acceptable initial plan of operation shall be submitted at the time this Agreement is filed for the Regional Supervisor's approval. Each plan of operation shall expire on the date specified in the plan. At least 60 days before the scheduled expiration of any plan, unless the Regional Supervisor grants an extension for good cause, the Unit Operator shall file an acceptable subsequent plan of operation for approval in accordance with this Article.

Article X-----Revision of Unit Area and Allocation of Production

10.1 Unitized substances produced from the unit area shall be allocated on the basis of net acre-feet, under original reservoir conditions, credited to the respective tracts committed hereto. A net acre-foot as used in this Agreement means one acre of producing formation which contains one foot of net _____ pay. Oil and/or gas produced from the unit area prior to the effective date of this Agreement shall not be allocated under this Agreement. The royalty payments under leases committed hereto shall be based and calculated upon the production allocated to the tracts as specifically provided herein.

10.2 The unit area so established shall be revised from time to time, subject to the approval of the Regional Supervisor, whenever such action appears proper as a result of further drilling operations or otherwise to include additional lands or to exclude lands. The effective date of any revision of the unit area shall be the first day of the month in which is obtained the knowledge or information on which such revision is predicated, provided that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Regional Supervisor.

10.3 In the event any lands are added to the unit area, a reasonable and fair participation shall be allocated to the new lands on the basis of net acre-feet. The determination of the net acre-feet creditable to such lands shall be done in the same manner and by the same procedures used to determine the tract percentages of participation as shown on Exhibit "C." If the unit area is so expanded, the net acre-feet credited to land originally in the unit area shall not be subject to change. The only change will be to increase the total number of net acre-feet in the

unit area by adding to the original total the total number of net acre-feet allocated to new lands, provided that there shall never be any retroactive allocation of interest in the unitized substances produced, or the proceeds thereof, by reason of any revision.

10.4 The Unit Operator shall pay all production royalties and make deliveries of oil and gas which are payments of royalties taken-in-kind or which, pursuant to the Act, are purchased by the United States.

10.5 For the purpose of determining royalty obligations, gas and liquid-hydrocarbon substances on which royalty has been paid and which are used for repressuring, stimulation of production, or increasing ultimate recovery from the unit area, in conformity with an approved plan of operation, may be deemed to be a portion of the gas and liquid-hydrocarbon substances subsequently saved, removed, or sold from the unit area. In such instances, a like amount of gas and liquid-hydrocarbon substances similar to that previously used may be saved, removed, or sold from the unit area without paying a royalty thereon. However, as to dry gas, only dry gas and not products extracted therefrom may be saved, removed, or sold royalty free. The royalty-free withdrawal shall be accomplished in accordance with an approved plan of operation, and the shares of gas and liquid-hydrocarbon substances withdrawn that are to be recognized as free of royalty charges shall be computed in accordance with a formula approved or prescribed by the Regional Supervisor. Any withdrawal of royalty-free gas or liquid-hydrocarbon substances shall terminate upon the termination of this Agreement, unless otherwise permitted. For the purposes of this paragraph, liquid-hydrocarbon substances include natural gasoline and liquid-petroleum gas fractions.

Article XI-----Relinquishment of Leases

Pursuant to the provisions of the lease and applicable regulations a lessee of record shall, subject to the provisions of the Unit Operating Agreement, have the right to relinquish any of its interests committed hereto, provided that no relinquishment shall be made of any interests within the unit area without the prior approval of the Regional Supervisor.

Article XII-----Rentals and Minimum Royalties

12.1 Rentals and minimum royalties due on leases committed hereto shall be paid by the working-interest owners responsible therefor at the time and rate(s) specified in their respective lease from the United States unless such rental or minimum royalty is suspended or reduced by law or by approval of the Secretary.

12.2 If there is production from the unit area during the lease year, the amount of royalty paid for production allocated to a lease during the lease year shall be credited against the minimum royalty obligation of the lease.

Article XIII-----Effective Date and Termination

13.1 This Agreement shall be effective on _____ and shall terminate when oil or gas is no longer being produced from the unit area and drilling or well-reworking operations are no longer being conducted in accordance with the provisions of Article IX of this Agreement. If the Regional Supervisor has ordered a suspension of operations or production on all or part of the unit area pursuant to the regulations, this Agreement shall be continued in force and effect for a period of time equal to the length of the authorized suspension and thereafter so long as operations are being conducted in accordance with the provisions of Article IX herein.

13.2 This Agreement may be terminated, with the approval of the Regional Supervisor, at any time by an affirmative vote of the owner(s) of a majority of the working interests in each lease or portion thereof committed to this Agreement or as otherwise specified in the Unit Operating Agreement.

Article XIV-----Leases and Contracts Conformed and Extended

14.1 The terms, conditions, and provisions of all leases, subleases, and other contracts relating to drilling, development, or production operations for oil or gas on lands committed to this Agreement are hereby modified and amended only to the extent necessary to make the same conform to the provisions hereof but otherwise shall remain in force and effect.

14.2 The Regional Supervisor, by the approval hereof, does hereby establish, alter, suspend, change, or revoke the drilling, production, rental, minimum royalty, and royalty requirements of the Federal leases committed hereto, to conform said requirements to the provisions of this Agreement, and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) Drilling and/or producing operations performed hereunder upon any unitized lease will be accepted and deemed to be performed upon and for the benefit of each and every unitized lease, and no lease committed to this Agreement shall be deemed to expire by reason of failure to drill or produce a well thereon.

(b) Suspension of drilling or producing operations on all unitized lands, pursuant to direction or consent of the Secretary or a duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every unitized lease.

(c) Suspension of drilling or producing operations on less than all unitized lands pursuant to direction or consent of the Secretary, or a duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent only as to those unitized lands specified in the document providing direction or consent.

(d) Each lease committed hereto shall continue in force as to all lands covered thereby for the term so provided therein, or as extended by law, and so long thereafter as gas or

oil and/or condensate are produced from a unit well in paying quantities, drilling or well-reworking operations pursuant to the regulations are conducted within the unit area, or operations are suspended hereunder as provided herein, and operations are being conducted pursuant to the provisions of Article IX of this Agreement. This subsection shall not operate to continue in force any whole lease excluded from the unit area by adjustment pursuant to Article X.

14.3 Upon termination of this Agreement, the leases committed hereto may be continued in force and effect in accordance with the terms and conditions contained in the Act, the regulations, and the leases.

Article XV-----Counterparts

This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties. If this Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if all parties had signed the same instrument.

Article XVI-----Subsequent Joinder

The Regional Supervisor may order or, upon request, approve a subsequent joinder to this Agreement pursuant to the expansion provisions of Article X. A request for a subsequent joinder shall be accompanied by a signed counterpart to this Agreement and shall be submitted by the Unit Operator at the time a notice of proposed expansion is submitted pursuant to Article X. A subsequent joinder shall be subject to the requirements which may be contained in the Unit Operating Agreement, if any, except that the Regional Supervisor may require modifications of any provision in a Unit Operating Agreement which would prevent a subsequent joinder.

Article XVII-----Remedies

17.1 The failure of the Unit Operator to conduct operations in accordance with an approved plan of operation, to timely submit an acceptable plan for approval by the Regional

Supervisor, or to comply with any other requirement of this Agreement in a timely manner shall, after notice of default to the Unit Operator with copies to all working-interest owners by the Regional Supervisor and after failure of the Unit Operator to remedy any default within a reasonable time as determined by the Regional Supervisor, result in automatic termination of this Agreement effective as of the first day of the default.

17.2 This remedy is in addition to any remedy which is prescribed in the Act, the regulations, or a lease committed to this Agreement or any action which may be brought by the United States to compel compliance with the provisions thereof.

Article XVIII-----No Waiver of Certain Rights

Nothing contained in this Agreement shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense pertaining to the validity or invalidity of any law of the United States, or regulations issued thereunder, in any way affecting such party or as a waiver by any such party of any right beyond such party's authority to waive.

Article XIX-----Covenants Run With the Land

19.1 The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto in the unitized reservoir and their successors in interest until this Agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest.

19.2 No assignment or transfer of any working interest or other interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after the Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

In Witness Whereof, the working-interest owners and the Unit Operator have caused this Agreement to be executed as follows:

ACCEPTANCE OF RIGHTS AND OBLIGATIONS BY UNIT OPERATOR

I hereby accept and assume all rights and obligations of the Unit Operator as set forth above.

Dated: _____

Authorized Signature:

Name:

Title:

Corporation:

Address:

Subscribed and sworn to me this _____ day of _____, 20

Notary Public:

My Commission Expires:

APPROVAL BY WORKING-INTEREST OWNER(S)

As an owner of a working interest in the unitized area, I hereby agree to the terms and conditions as set forth in this Agreement.

Dated:

Authorized Signature:

Name:

Title:

Corporation:

Address:

Subscribed and sworn to me this _____ day of _____, 20

Notary Public:

My Commission Expires: _____

EXHIBIT A

_____ **UNIT**

OFFSHORE _____

LEASE PLAT

EXHIBIT B

COMPONENT LEASES AND OWNERSHIP

_____ UNIT

OFFSHORE _____

TRACT NUMBER	LEASE	BLOCK NUMBER	EFFECTIVE DATE-LEASE	EXPIRATION DATE	AMOUNT OF ACREAGE	ROYALTY RATE	LEASE OWNERSHIP
							TOTAL

EXHIBIT C

LEASE PARTICIPATION AND ALLOCATION

_____ UNIT
OFFSHORE _____

TRACT NUMBER	LEASE	NUMBER OF ACRES COMMITTED	NUMBER OF ORIGINAL EQUIVALENT ACRE FEET ALLOCATED			PERCENT UNIT ALLOCATION
			OIL	GAS	TOTAL	
TOTALS						100.00000