

Docket 72-54-66

ROYALTY OWNERS' UNITIZATION AGREEMENT

LORING FIELD

MADISON COUNTY, MISSISSIPPI

THIS AGREEMENT, Made and entered into this _____ day of _____, 195___, by and between the undersigned "Royalty Owners" and the undersigned "Operators";

WITNESSETH, THAT:

WHEREAS, each of the undersigned Royalty Owners is the owner of an oil and gas mineral or royalty interest, overriding royalty right, production payment, or interest in oil and gas rights other than a "drilling right" as hereinafter defined, in one or more of the tracts of land which are separately described in Exhibit A hereof and which tracts together comprise the Unitized Area described in Exhibit B hereof; and

WHEREAS, each of the undersigned Operators is the owner of a drilling right in one or more of the separate tracts of land listed in Exhibit A hereof and which tracts together comprise the Unitized Area described in Exhibit B hereof; and

WHEREAS, the parties hereto desire, for the purposes of development and operation for the production of oil and gas from the Smackover Formation, to unitize all of the land described in the schedule marked "Exhibit B", attached hereto and made a part hereof, which land is herein referred to as the "Unitized Area."

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) paid by Operators to each of the other parties hereto, receipt of which is hereby acknowledged, and of the benefits to accrue hereunder and of the covenants and obligations herein contained and provided, it is agreed as follows:

1. For all of the purposes of this agreement the following definitions shall apply:

(a) "Oil and gas" means any one or more of the following substances: oil, gas, condensate, casinghead gas, and hydrocarbon and other fluids and substances which may be associated or produced with oil or gas, whether such hydrocarbon and other fluids and substances be in liquid, gaseous or other form.

Exhibit 2

(b) A "drilling right" is the right to search for and produce oil and gas, whether such right be derived from ownership in fee, from an oil and gas lease or by other means.

(c) The "Smackover Formation" is defined as being any sand, limestone or dolomite formation of Jurassic Age lying below the Buckner Anhydrite or occurring within the Buckner Formation. The Smackover Formation is further defined as the zone which was encountered at an approximate depth of 11,170 feet in The Carter Oil Company, et al, S. L. Brown No. 1 Well in Section 31, Township 11 North, Range 4 East, Madison County, Mississippi. The base of the Smackover Formation is defined as the top of the Louann Salt.

2. The Unitized Area shall be developed and operated by Operators for the production of oil and gas from the Smackover Formation as a single unit in the same manner as if the Unitized Area were covered by a single oil and gas lease. For the purpose of making payments to Royalty Owners, there shall be allocated to each tract separately listed in Exhibit A hereof the percentage of the total production of oil and gas from the Smackover Formation underlying the Unitized Area, except any part thereof unavoidably lost or used for development or production purposes hereunder, which the number of acres in each bears to the number of acres in the entire Unitized Area. Royalties on production of oil and gas from the Smackover Formation shall be paid or delivered to each royalty owner in conformity with the provisions of the oil and gas leases and other agreements affecting or covering the tract or tracts in which he owns an interest but computed upon the production allocated to such tract or tracts, as herein provided, rather than upon the actual production therefrom. The owners of the Drilling Rights in each of the separate tracts described in Exhibit A hereof shall be separately liable, and shall make payment, to the Royalty Owners in such respective separate tracts for their respective shares of the royalty on production from the Smackover Formation in accordance with the oil and gas lease, leases and other existing agreements applicable thereto, but computed upon production allocated as hereinabove provided. For the foregoing purposes, each separate tract included in the Unitized Area shall be considered to contain the number of acres specified in Exhibit A hereof. If any of the separate tracts listed in Exhibit A hereof is now or shall hereafter be owned in severalty or in separate tracts, the production allocated pursuant hereto to each

separate tract listed in said Exhibit A shall be treated as an entirety and the royalty portion thereof shall be divided among and paid to such separate Royalty Owners in the proportion that the acreage owned by each such separate Royalty Owner in such separately listed tract bears to the total acreage in such separately listed tract.

3. So far as the Smackover Formation is concerned, there shall be no obligation on Operators to offset wells on separate tracts into which the Unitized Area is now divided, or may hereafter be divided, nor shall Operators be required to furnish separate measuring tanks, receiving tanks or meters by reason of the diverse ownership of the minerals in and under property unitized hereby.

4. The commencement or drilling of a well having the Smackover Formation as its objective depth, or the completion or operation or production of a well in or from the Smackover Formation, on any part of the Unitized Area shall be respectively construed and considered as the commencement, or drilling, or completion, or operation, or production of a well within the terms and provisions of each of the oil and gas leases covering the tracts of land separately listed in Exhibit A hereof as to all land covered by such leases which is located in the Unitized Area. If any of the oil and gas leases on the separate tracts of land listed in Exhibit A hereof cover not only lands within the Unitized Area but also lands located outside the Unitized Area, then it is agreed that the commencement or drilling or completion or operation or production of a well on acreage covered by any such lease located outside the Unitized Area shall be considered respectively as the commencement or drilling or completion or operation or production of a well as to all of the acreage covered by such lease both within and without the Unitized Area. It is further agreed that each of the oil and gas leases affected hereby may also be maintained in force in any manner authorized and provided by the terms thereof. If any of the oil and gas leases on the separate tracts of land listed in Exhibit A hereof cover not only lands within the Unitized Area but also land located outside the Unitized Area, and as to such leases no delay rental is payable hereunder as to that portion of the leased premises located in the Unitized Area, then any delay rental which in the absence of this agreement would be payable under such lease in order to continue it in force, shall be reduced in the proportion that the mineral or royalty acre interest covered by such lease in the land located in the Unitized Area bears to the total mineral or royalty acre interest in all lands covered by such lease.

5. All of the oil and gas leases covering any interest in the tracts of land described in Exhibit A hereof, except as necessarily modified by this agreement, are hereby adopted, ratified and confirmed in all respects insofar as the title and ownership of each of the undersigned permits.

6. It is the purpose, intent and effect of this agreement to unitize as to the Smackover Formation, and the production of oil and gas therefrom, all oil and gas interests of any nature owned by any of the undersigned in any of the lands constituting any portion of the Unitized Area described in Exhibit B hereof.

7. Subject to applicable requirements and orders of any Governmental authority, Operators may produce oil and gas from any well or wells located anywhere on the Unitized Area and, in connection with the production of oil and gas from the Unitized Area, may inject into any pool or formation, including the Smackover and all other formations, through any well located anywhere on the Unitized Area, brine, water, air, gas or oil or any combinations of such substances whether produced from the Unitized Area or not.

8. Operators have heretofore drilled one well into the Smackover Formation in the Unitized Area. Unless Operators, within 12 months from and after the effective date hereof and in no event later than within 18 months from the date of this agreement, commence the drilling of a second well on the Unitized Area and thereafter drill said well with reasonable diligence to a depth sufficient to test the zone tested in Carter, et al, S. L. Brown No. 1 Well, which well is now shut in pending completion, or to a depth of 12,300 feet, whichever is the lesser, this agreement shall, subject to the provisions of the next following sentence hereof, automatically terminate, retroactive to the date hereof. In event in the drilling of said second well the hole is lost and abandoned prior to the time said well shall have reached the objective depth above specified, then unless Operators, within sixty (60) days from the date such hole is lost and abandoned, commence the drilling of a third well on the Unitized Area and thereafter drill said well with reasonable diligence to a depth sufficient to test the zone from which said Carter, et al, S. L. Brown No. 1 Well, which well is now shut in pending completion, or to a depth of 12,300 feet, whichever is the lesser, this agreement shall automatically terminate, retroactive to the date hereof.

9. This agreement shall become effective as of the first day of the month next ensuing after the following things have been done:

(a) This agreement has been executed by at least one Royalty Owner in each of the tracts of land separately described in Exhibit A hereof;

(b) This agreement has been executed by at least one owner of a Drilling Right in each of the tracts of land separately described in Exhibit A hereof and by parties owning at least 85% on an acreage basis of all drilling rights in all lands comprising the Unitized Area; and

(c) A counterpart of this agreement executed by The Carter Oil Company, a corporation, is filed for record in the Office of the Recorder of Madison County, Mississippi,

10. In event this agreement becomes effective, it shall, subject to the provisions of paragraph 8 hereof, remain in force and effect for a term extending for so long as Operators own drilling rights in the lands described in Exhibit B hereof.

11. If there is now or should hereafter be any dispute as to the ownership of any of the land or interests therein affected hereby, then, in order to avoid duplicate payment of royalties, the royalties payable to the interest in dispute may be withheld until such time as the dispute is finally settled or determined.

12. The provisions of this agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations and no party shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions hereof if such compliance is prevented by or such failure results from compliance with any such law, order, rule or regulation.

13. Duplicate copies of this agreement may be executed with the same force and effect as though the original hereof had been executed. This agreement shall be fully binding as to all parties signing the original or a duplicate hereof even though the signatures of all of the Royalty Owners or all of the owners of drilling rights in the premises unitized hereby are not secured.

14. This agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns and each of the undersigned who has any rights of dower or of homestead in the premises affected by this agreement hereby releases all rights of dower and homestead in said premises insofar as such release may in any way be necessary to effectuate the purposes of this agreement as recited herein.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

ATTEST:

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Assistant Secretary

ATTEST:

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Assistant Secretary

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Assistant Secretary

THE CARTER OIL COMPANY

By
Vice President

SOUTHERN NATURAL GAS COMPANY

By
Vice President

GULF REFINING COMPANY

By
Vice President

PHILLIPS PETROLEUM COMPANY

By
Vice President

CONTINENTAL OIL COMPANY

By
Vice President

UNION PRODUCING COMPANY

By
Vice President

SEABOARD OIL COMPANY OF DELAWARE

By
Vice President

OPERATORS

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ROYALTY OWNERS

EXHIBIT "A"

SCHEDULE AND ACREAGE OF SEPARATE TRACTS

Royalty Owners Unitization Agreement

Loring Field

Madison County

Mississippi

NOTE: The names following the Tract numbers and acreage figures in this Schedule are for aid in identification only, and shall not be accorded any significance with respect to title or ownership. The description of each tract is for the purposes of allocation only, and shall not be considered determinative of title to or ownership of such tract or any interest therein. For all purposes hereof and of the attached Royalty Owners Unitization Agreement each tract shall be conclusively deemed to contain the exact number of acres hereinbelow specified.

Tract No. 1 - - 80 acres. (William E. Pepper)

SW 1/4 of SW 1/4 of Section 25,
NW 1/4 of NW 1/4 of Section 36,
Township 11 North, Range 3 East.

Tract No. 2 - - 40 acres. (J. O. Watts)

SW 1/4 of SE 1/4 of Section 25, Township 11 North, Range 3 East.

Tract No. 3 - - 200 acres. (Cage Sutherland)

E 1/2 of NW 1/4,
W 1/2 of NE 1/4, Section 36,
SE 1/4 of SW 1/4 of Section 25,
Township 11 North, Range 3 East.

Tract No. 4 - - 240 acres. (John Jackson and Cage Sutherland, Jr.)

W 1/2 of NW 1/4 of Section 31,
SW 1/4 of SW 1/4 of Section 30,
Township 11 North, Range 4 East;
E 1/2 of NE 1/4 of Section 36,
SE 1/4 of SE 1/4 of Section 25,
Township 11 North, Range 3 East.

Tract No. 5 - - 360 acres. (S. L. Brown)

SE 1/4 of SW 1/4,
SW 1/4 of SE 1/4 of Section 30,
Township 11 North, Range 4 East;
E 1/2 of NW 1/4,
W 1/2 of NE 1/4,
NE 1/4 of NE 1/4,
NW 1/4 of SE 1/4,
NE 1/4 of SW 1/4, of Section 31,
Township 11 North, Range 4 East.

Tract No. 6 - - 392.5 acres. (S. L. Mansell Estate)

E 1/2 of SE 1/4,
NW 1/4 of SE 1/4 of Section 36,
Township 11 North, Range 3 East;
W 1/2 of SW 1/4,
All of SE 1/4 of SW 1/4 and SW 1/4 of SE 1/4 lying West of Public Road from
Canton to Pickens,
Section 31, Township 11 North, Range 4 East;
All that part of the North 31.95 chains of the N 1/2 of
Section 6, Township 10 North, Range 4 East, lying West
of said Public Road from Canton to Pickens; said Canton
and Pickens Road referred to being the old road as it
ran on January 30, 1913.

Tract 7 - - 376 acres. (Cage Sutherland)

W 1/2 of NW 1/4 of Section 5, Township 10 North, Range 4 East;
All that part of the NE 1/4 of Section 6, Township 10 North, Range 4 East,
lying East of the old Boles Ferry Road (public road from Canton to Pickens),
less 16 acres, more or less, described as commencing on the East side of the
Canton and Camden Road at its intersection with the dividing line between
the NE 1/4 and SE 1/4 of said Section 6, and running northeasterly along
said road to its intersection with the old George Nichols Road; thence in
a southeasterly direction along the old George Nichols Road to the East line
of said Section 6; thence South to the Southeast corner of the NE 1/4 of
said Section 6; thence West to the point of beginning. Said Boles Ferry
Road and said Canton and Camden Road referred to are said roads as they ran
on January 30, 1913 and December 7, 1916, respectively.

E 1/2 of SE 1/4,
SE 1/4 of NE 1/4,

All that part of SW 1/4 of SE 1/4 and
SE 1/4 of SW 1/4 lying East of the Boles Ferry Road,
All in Section 31, Township 11 North, Range 4 East.

Tract 8 - - 15 acres. (James Nichols)

NW 1/4 of SW 1/4 of SW 1/4,
S 1/2 of SW 1/4 of NW 1/4 of SW 1/4,
Section 5, Township 10 North, Range 4 East.

Tract 9 - - 15 acres. (Allie Nichols)

NW 1/4 of NW 1/4 of SW 1/4,
N 1/2 of SW 1/4 of NW 1/4 of SW 1/4,
Section 5, Township 10 North, Range 4 East.

Tract 10 - - 67.50 acres. (Johmie Nichols)

NE 1/4 of NE 1/4 of SW 1/4,
E 1/2 of NW 1/4 of NE 1/4 of SW 1/4,
SE 1/4 of NE 1/4 of SW 1/4,
NE 1/4 of SW 1/4 of NE 1/4 of SW 1/4,
E 1/2 of SW 1/4 of SW 1/4,
E 1/2 of SE 1/4 of SW 1/4,
Section 5, Township 10 North, Range 4 East.

Tract 11 - - 15 acres. (Willie Bennett)

NE 1/4 of NW 1/4 of SW 1/4,
W 1/2 of NW 1/4 of NE 1/4 of SW 1/4,
Section 5, Township 10 North, Range 4 East.

Tract 12 - - 76 acres. (Catherine C. Howell)

The North 76 acres of the following described tract of land:
That part of the N 1/2 of SE 1/4 of Section 6, Township 10 Range 4 East,
lying East of the old Canton and Camden Road, and that part of the
N 1/2 S 1/2 SE 1/4 of Section 6, Township 10, Range 4 East, lying East
of said Canton and Camden Road ; also 16 acres in NE 1/4 of Section 6,
Township 10, Range 4 East, described as: commencing on the East side of
said Canton and Camden Road at its intersection with the dividing line
between the NE 1/4 and SE 1/4 of said Section 6 and running Northeasterly
along said road to its intersection with the Old George Nichols Road;
Thence in a southeasterly direction along the Old George Nichols Road to
the East line of said Section 6, thence South to the Southeast corner of
the NE 1/4 of said Section 6, thence West to the Point of beginning, and
containing in all 116 acres, more or less. Said Canton and Camden Road
referred to is the road as it ran on December 7, 1916.

Tract 13 - - 37.5 acres. (Nancy J. Nichols)

W 1/2 of SE 1/4 of SW 1/4,
SE 1/4 of SW 1/4 of NE 1/4 of SW 1/4,
W 1/2 of SW 1/4 of NE 1/4 of SW 1/4,
SE 1/4 of NW 1/4 of SW 1/4,
Section 5, Township 10 North, Range 4 East.

Tract 14 - - 80 acres. (Catherine Howell)

That part of N 1/2 of SE 1/4 West of Boles Ferry Road;
NE 1/4 of SW 1/4;
The South 6.65 chains of NW 1/4 and
the South 6.65 chains of that part of SW 1/4 of NE 1/4 West of the said
Boles Ferry Road, (as it ran January 30, 1913),
Section 6, Township 10 North, Range 4 East.

Tract 15 - - 20 acres. (Catherine C. Howell)

That part of the N 1/2 of SE 1/4 of Section 6, Township 10, Range 4 East,
lying East of the Canton and Camden Road;
And that part of the N 1/2 S 1/2 SE 1/4 of Section 6, Township 10,
Range 4 East, lying East of said Canton and Camden Road;
Also 16 acres in the NE 1/4 of Section 6, Township 10, Range 4 East,
described as: Commencing on the East side of said Canton and Camden Road
at its intersection with the dividing line between the NE 1/4 and SE 1/4
of said Section 6, and running northeasterly along said road to its
intersection with the Old George Nichols Road; thence in a southeasterly
direction along the Old George Nichols Road to the East line of said
Section 6, thence South to the Southeast corner of the NE 1/4 of said
Section 6, thence West to the point of beginning, and containing in all
116 acres, more or less. Said Canton and Camden Road referred to is the
road as it ran on December 7, 1916, LESS AND EXCEPT the North 76 acres
of the above described land and LESS AND EXCEPT that portion thereof
location in the N 1/2 SW 1/4 SE 1/4 of said Section 6.

Tract 16 - - 40 acres. (Trolie)

SW 1/4 of SE 1/4 of Section 5, Township 10 North, Range 4 East.

All of said land lying in Madison County, Mississippi, and
containing in the aggregate 2054.5 acres.

EXHIBIT B
(Description of Unitized Area)

W1/2 NW 1/4 and E 1/2 SW 1/4 and NW 1/4 SW 1/4 and N 1/2 SW 1/4 SW 1/4
and SE 1/4 SW 1/4 SW 1/4 and SW 1/4 SE 1/4 Sec. 5 and N 1/2 and N 1/2 SE 1/4
and N 1/2 SE 1/4 SE 1/4 and NE 1/4 SW 1/4 Sec. 6, all in Township 10 North,
Range 4 East, and S 1/2 SW 1/4 and SW 1/4 SE 1/4 Sec. 30 and all of
Sec. 31, Township 11 North, Range 4 East and S 1/2 S 1/2 Sec. 25 and N 1/2
N 1/2 and SE 1/4 NW 1/4 and S 1/2 NE 1/4 and N 1/2 SE 1/4 and SE 1/4 SE 1/4
of Sec. 36, all in Township 11 North Range 3 East, all in Madison County,
Mississippi