

EXHIBIT 1  
ATTACHED TO AND MADE A PART OF  
PETITION IN DOCKET NO. 128-82-289  
GOODWATER FIELD UNIT  
SHELL OIL COMPANY

**UNIT AGREEMENT**  
**GOODWATER FIELD UNIT**  
**CLARKE COUNTY, MISSISSIPPI**

RECEIVED  
MAR 11 1982  
STATE OIL & GAS BOARD

UNIT AGREEMENT  
GOODWATER FIELD UNIT  
CLARKE COUNTY, MISSISSIPPI

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UNIT AGREEMENT  
GOODWATER FIELD UNIT  
CLARKE COUNTY, MISSISSIPPI

THIS AGREEMENT, entered into as of the 1st day of August, 1981,

W I T N E S S E T H:

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the Goodwater Field, in Clarke County, Mississippi, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided, pursuant to Mississippi Code Ann. Sections 53-3-101 to -119 (1972) (as amended).

NOW, THEREFORE, it is provided as follows:

ARTICLE 1

DEFINITIONS

As used in this Agreement:

1.1 Unit Area is the land identified by Tracts in Exhibit A and shown on Exhibit C as to which this Agreement applies.

1.2 Unitized Formation is the subsurface portion of the Unit Area described as those strata of the Smackover formation productive or formerly productive of oil and gas from the depth of 14,600 feet to 14,730 feet in

1.9 Unit Operating Agreement is the agreement having the same Effective Date as this Agreement, entitled "Unit Operating Agreement, Goodwater Field Unit, Clarke County, Mississippi," and with this Agreement constitutes the Plan of Unitization.

1.10 Unit Operator is the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation is the percentage shown on Exhibit A for allocating Unitized Substances to a Tract.

1.12 Unit Participation of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.13 Outside Substances are all substances purchased or otherwise obtained from any source other than the Unitized Formation and which are injected or reinjected into the Unitized Formation, including but not limited to water, carbon dioxide, nitrogen, and other inert gases.

1.14 Oil and Gas Rights are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.15 Unit Operations are all operations conducted pursuant to this Agreement and the Unit Operating Agreement including but not limited to the recovery of Outside Substances.

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



2.4 Correcting Errors. If any mechanical miscalculation or clerical error in the shape, description or participation of the respective Tracts has been made, Unit Operator shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each such revision thereafter made shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised, Unit Operator shall execute an appropriate instrument with the revised exhibit attached and file the same for record in Clarke County, Mississippi.

### ARTICLE 3

#### CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. All Oil and Gas Rights of Royalty Owners in and to the lands identified in Exhibit A, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease contained all of the provisions of this Agreement.

longer period of time, from the date of determination of the Unit Area by the State Oil and Gas Board shall render such lease or leases on lands lying outside the Unit Area void and of no force and effect, unless held by production other than from production of Unitized Substances or by operations other than Unit Operations, or otherwise held under or pursuant to the applicable lease terms.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in any transfer of title to Oil and Gas Rights.

3.6 Injection Rights. Working Interest Owners are hereby granted the right to inject into the Unitized Formation and into any other zone or formation of the Unit Area, whether or not unitized hereunder (but which does not contain fresh water and is not productive of oil or gas) any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right (a) to use all former injection or former producing wells located on said Unit Area as of the Effective Date, (b) to drill, use, and maintain additional injection wells in the Unit Area, and (c) to use for injection purposes any nonproducing or abandoned wells or dry holes, and any producing wells completed in the Unitized Formation.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from any obligation to develop reasonably as a whole the lands and leases committed hereto.

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

conditions then prevailing, having due regard for the rights of both the Working Interest Owners and Royalty Owners. All Unitized Substances shall be produced and sold as rapidly as possible in accordance with good engineering and production practices without decreasing the ultimate recovery of such Unitized Substances or causing damage to the Unitized Formation.

4.3 Change of Method of Operation. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering and production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances, including any so called enhanced oil recovery program.

## ARTICLE 5

### TRACT PARTICIPATIONS

5.1 Tract Participations. The Tract Participation of each Tract is shown in Exhibit A. The percentage participation of each Tract was determined by using a formula based: 25% on Tract production during the year 1979 in relation to total production of all Tracts in the Unit Area during the year 1979; and 75% on net acre feet of oil-bearing formation underlying a Tract in relation to the total net acre feet of oil-bearing formation underlying all Tracts in the Unit Area.

The 1979 Tract production factor was based upon monthly production from wells as reported to and determined from the records of the Mississippi State Oil and Gas Board.

Net acre feet of oil-bearing formation factor is based upon the Good-water Field, Clarke County, Mississippi, Net Pay Isopachous Map-Smackover

divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one such well thereon.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Persons entitled thereto by virtue of the ownership of a Working Interest therein or by virtue of such entitlement under existing lease or other contracts, subject, however, to the right of Unit Operator to withhold and sell the same in payment of Unit Expense pursuant to this Plan of Unitization. Such Persons shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of Unitized Substances shall be borne by the owner of such portion. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of Unitized Substances.

6.6 Royalty on Outside Substances. No payment shall be due or payable to Royalty Owners on substances produced from the Unitized Formation that are deemed to be Outside Substances. If any Outside Substance consisting of nonhydrocarbon gases is injected into the Unitized Formation, one hundred percent (100%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be a part of the Outside Substance so injected until the total quantity deemed to be such Outside Substance equals the total quantity of such Outside Substance so injected. If Outside Substances consisting mainly of nonhydrocarbon gases but containing Unitized Substances which Unitized Substances cannot be economically removed from the mixture are subsequently sold, then the Royalty on the portion that is Unitized Substances contained therein shall be paid on the basis of the value received or realized from the sale of the Outside Substance at the wellhead. If any Outside Substance consisting of hydrocarbon gases, liquefied petroleum gas or other liquid hydrocarbons is injected into the Unitized Formation, fifty percent (50%) of all Unitized Substances subsequently produced and sold shall be deemed to be a part of the Outside Substance so injected until the total volume of the production deemed to be such Outside Substance equals the total volume of the Outside Substance so injected. Such fifty percent (50%) of the Unitized Substances deemed to be Outside Substances will be in addition to that which is being recovered from gases as hereinabove provided if both hydrocarbon gases, liquefied petroleum gas or other liquid hydrocarbons and nonhydrocarbon gases are injected.

## ARTICLE 8

### USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use or consume Unitized Substances for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

## ARTICLE 9

### TITLES

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

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

- (a) require that the Person to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid

9.4 Transfer of Title. Any conveyance of all or any part of any interest owned by a Person with respect to any Tract shall be subject to this Agreement. No change of title shall be binding upon Unit Operator, or upon any Person other than the Person so transferring, until 7:00 a.m. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy(s) of the recorded instrument(s) or other legally authenticated writing evidencing such change in ownership, and, in the case of changes in the ownership of Royalty Interests, the receipt also by the owner of the Working Interest affected by such change of such evidence of change in ownership.

9.5 Reservation of Rights. The execution or ratification of this Agreement by parties asserting conflicting claims of title to the Royalty or Working Interests in any Tract within the Unit Area shall not prejudice or be in derogation or defeasance of any such claims of title.

#### ARTICLE 10

##### EASEMENTS OR USE OF SURFACE

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

10.2 Use of Water. Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations,

Expense unless such Royalty Owner is otherwise so obligated; provided, however, that any interest created out of a Working Interest shall be subject to the security rights provided by the Unit Operating Agreement. The owner of any such interest shall be subrogated to the security rights available against the Working Interest out of which such interest was created.

### ARTICLE 13

#### FORCE MAJEURE

13.1 Force Majeure. All obligations arising hereunder, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute, fire, war, civil disturbance, act of God; by litigation in any court; by Federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials or to secure materials and services at a reasonable cost; by inability to obtain at reasonable cost and after the exercise of reasonable diligence servitudes, rights-of-way grants and licenses; or by any other cause or causes, whether similar or dissimilar, beyond reasonable control of the Person. No Person shall be required against his will to adjust or settle any labor dispute or litigation. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of failure to commence or of suspension of Unit Operations due in whole or in part to any one or more of the causes set forth in this Article, but same shall remain in force so long as such cause or causes persist and



14.3 Certificate of Effectiveness. Unit Operator shall file for record in Clarke County, Mississippi, a certificate stating the Effective Date.

## ARTICLE 15

### TERM

15.1 Term. This Agreement shall remain in effect so long as Unitized Substances are producing in paying quantities without a cessation of more than ninety (90) consecutive days, or so long as other Unit Operations are conducted, including, but not limited to surface or subsurface operations necessary to install and operate an enhanced oil recovery project, without a cessation of more than ninety (90) consecutive days, or so long as such operations are suspended by operation of the terms of Article 13 hereof, unless sooner terminated by Working Interest Owners owning a combined Unit Participation of seventy-five percent (75%) or more whenever such Working Interest Owners determine that Unit Operations are no longer economically feasible.

15.2 Effect of Termination. Upon termination of this Agreement, the further development and operation of the Unitized Formation as a unit shall cease. The relationships among owners of Oil & Gas Rights shall thereafter be governed by the terms and provisions of the leases and other instruments, not including this Agreement, affecting the separate Tracts.

15.3 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting the separate Tracts,

made pursuant to the voting procedure of the Unit Operating Agreement unless otherwise provided herein.

ARTICLE 18

SUCCESSORS AND ASSIGNS

18.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the Royalty Owners and Working Interest Owners and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

IN WITNESS WHEREOF, the Persons hereto have approved this Agreement on the dates corresponding to their respective signatures.

SHELL OIL COMPANY

BY: \_\_\_\_\_ Date  
Agent and Attorney-in-Fact  
  
\_\_\_\_\_  
Date  
  
\_\_\_\_\_  
Date

STATE OF LOUISIANA

PARISH OF ORLEANS

BEFORE ME, the undersigned authority, on this day personally appeared \_\_\_\_\_, Agent and Attorney-in-Fact for SHELL OIL COMPANY, a corporation, known to me to be the person whose name is subscribed in the foregoing instrument, and acknowledged to me that he executed and delivered the same on the day therein mentioned for the purposes and consideration therein expressed in the capacity therein stated and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

\_\_\_\_\_  
Notary Public in and for Orleans Parish,  
Louisiana

My Commission is for life.

CORPORATION ACKNOWLEDGMENT

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Personally appeared before me, the undersigned Notary Public in and for said County, in said State, the within named \_\_\_\_\_, of \_\_\_\_\_, who acknowledged that he signed and delivered the foregoing instrument on the day and year therein mentioned, and as the act and deed of said corporation, being thereunto duly authorized.

Given under my hand, this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

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

My Commission Expires:

\_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

Personally appeared before me, the undersigned Notary Public in and for said County, in said State, the within named \_\_\_\_\_, of \_\_\_\_\_, who acknowledged that he signed and delivered the foregoing instrument on the day and year therein mentioned, and as the act and deed of said corporation, being thereunto duly authorized.

Given under my hand, this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

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

My Commission Expires:

\_\_\_\_\_

INDIVIDUAL ACKNOWLEDGMENT

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

THIS DAY personally appeared before me, the undersigned \_\_\_\_\_ in and for said County, the within named \_\_\_\_\_, known to me to be the person whose name is subscribed in the foregoing instrument, who acknowledged that \_\_\_\_\_ he \_\_\_\_\_ signed and delivered the within and foregoing instrument on the day and year therein mentioned as \_\_\_\_\_ act and deed.

GIVEN under my hand and seal of office, this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_.

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

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

THIS DAY personally appeared before me, the undersigned \_\_\_\_\_ in and for said County, the within named \_\_\_\_\_, known to me to be the person whose name is subscribed in the foregoing instrument, who acknowledged that \_\_\_\_\_ he \_\_\_\_\_ signed and delivered the within and foregoing instrument on the day and year therein mentioned as \_\_\_\_\_ act and deed.

GIVEN under my hand and seal of office, this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_.

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

My Commission Expires: \_\_\_\_\_ County, \_\_\_\_\_

EXHIBIT "A"  
TRACT IDENTIFICATION AND TRACT PARTICIPATION  
SMACKOVER WATERFLOOD UNIT  
GOODWATER FIELD  
CLARKE COUNTY, MISSISSIPPI

TRACT NO.	DESCRIPTION	% PARTICIPATION
1	Shell et al-Masonite et al Unit No. 1, being the North 80.00 acres of the South 160.00 acres of the NE 1/4 of Section 5, Township 10 North, Range 8 West	09.00000
2	Shell et al-Johnston et al Unit No. 1, being the South 80.00 acres of the South 160.00 acres of the NE 1/4 of Section 5, Township 10 North, Range 8 West	18.00000
3	Shell et al-Johnston et al Unit No. 3, being the North 80.00 acres of the North 160.00 acres of the SE 1/4 of Section 5, Township 10 North, Range 8 West	14.10000
4	Shell et al-Ulmer et al Unit No. 1, being the South 80.00 acres of the North 160.00 acres of the SE 1/4 of Section 5, Township 10 North, Range 8 West	17.30000
5	Shell et al-Thomas et al Unit No. 3, being the South 80.00 acres of the North 160.00 acres of the SW 1/4 of Section 5, Township 10 North, Range 8 West	07.20000
6	Shell et al-Thomas et al Unit No. 1, being the North 80.00 acres of the North 160.00 acres of the SW 1/4 of Section 5, Township 10 North, Range 8 West	14.20000
7	Shell et al-Johnston et al Unit No. 2, being the South 80.00 acres of the South 160.00 acres of the NW 1/4 of Section 5, Township 10 North, Range 8 West	10.60000
8	Shell et al-Masonite et al Unit No. 2, being the North 80.00 acres of the South 160.00 acres of the NW 1/4 of Section 5, Township 10 North, Range 8 West	09.60000
TOTAL		100.00000

EXHIBIT "B"  
DESCRIPTION OF UNIT AREA  
SMACKOVER WATERFLOOD UNIT  
GOODWATER FIELD  
CLARKE COUNTY, MISSISSIPPI

The Smackover Waterflood Unit consists of the following lands in Clarke County, Mississippi.

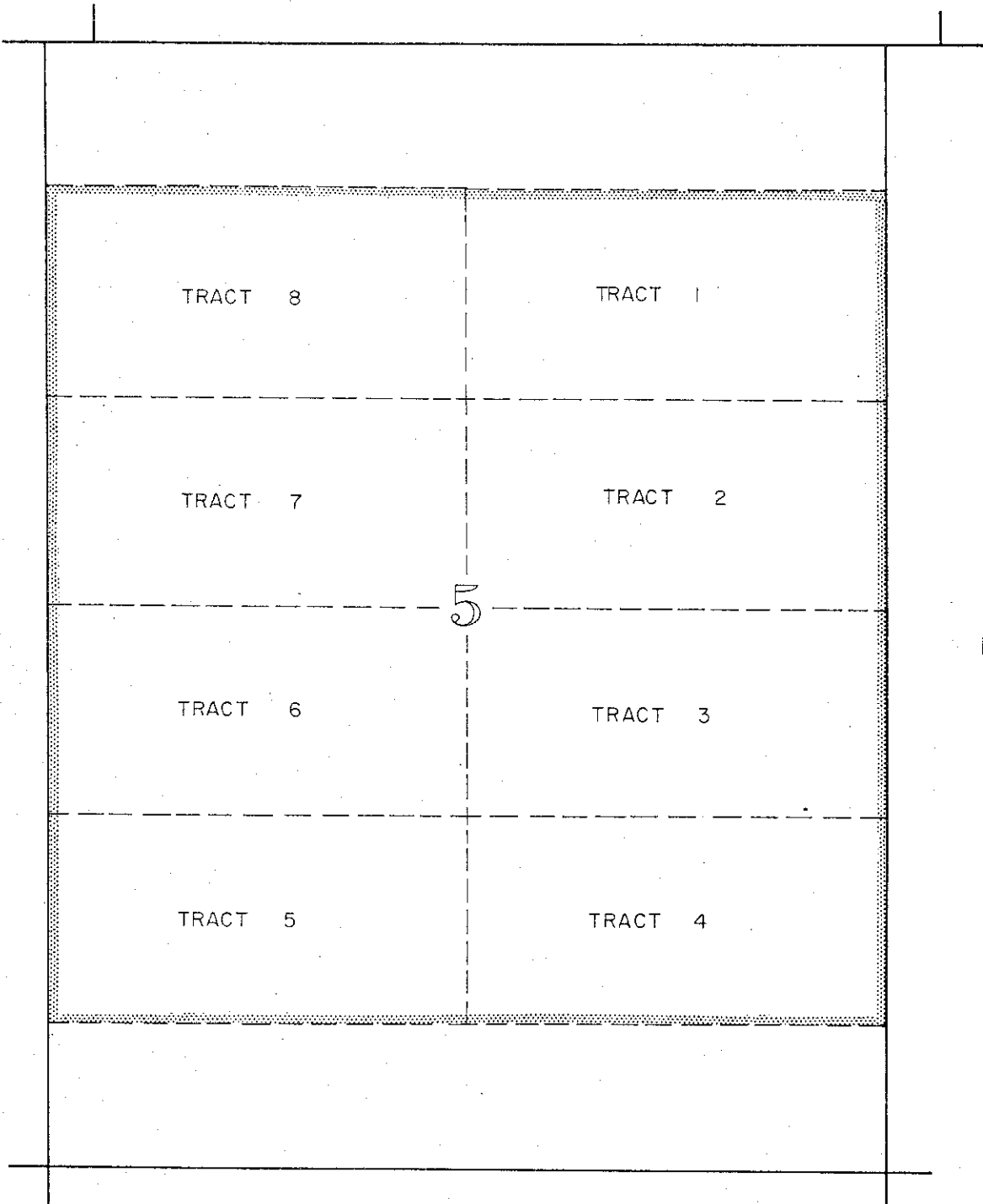
Township 10 North, Range 8 West

South 160.00 acres of the NE 1/4; the North 160.00 acres of the SE 1/4; the North 160.00 acres of the SW 1/4 and the South 160.00 acres of the NW 1/4; all in Section 5.


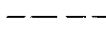
R 8 W

EXHIBIT "C"

T  
10  
N



LEGEND

-  SMACKOVER WATERFLOOD UNIT BOUNDARY
-  TRACT BOUNDARY

SHELL OIL COMPANY  
SMACKOVER WATERFLOOD UNIT  
GOODWATER FIELD

SECTION 5, T 10 N - R 8 W  
CLARKE COUNTY, MISSISSIPPI  
SCALE IN FEET

