

Docket 148-66-80

WATER FLOOD AGREEMENT

LOWER TUSCALOOSA POOL
WEST LINCOLN FIELD
LINCOLN COUNTY, MISSISSIPPI

STATE OF MISSISSIPPI)
) KNOW ALL MEN BY THESE PRESENTS THAT:
COUNTY OF LINCOLN)

THIS AGREEMENT, made and entered into this 1st day of August,
1966, by and between the parties who execute this instrument:

W I T N E S S E T H:

WHEREAS, each party whose name is subscribed to this agreement
as an Operating Party is an owner of an operating interest (as hereinafter
defined) in one or more tracts of land situated in the West Lincoln Field in
the Lower Tuscaloosa Pool (East Segment) in Lincoln County, Mississippi;
and

WHEREAS, each party whose name is subscribed to this agreement
as a Royalty Owner is the owner of a Royalty Interest (as hereinafter defined)
in one or more tracts of land situated in the Water Flood Area; and

WHEREAS, in order to promote conservation of hydrocarbons in the
Lower Tuscaloosa Pool, West Lincoln Field, Lincoln County, Mississippi,
and to minimize surface and underground waste and for the protection of
correlative and co-equal rights and to enable the maximum efficient recovery
of hydrocarbons in place in the Water Flood Area, the parties have decided
that it is desirable, proper, expedient and in the public interest to enter
into this agreement in compliance with authorizations contained in and
within the spirit of Chapter 256 of the Mississippi Laws of 1948, as amended.

NOW, THEREFORE, in consideration of the premises, of the covenants and agreements herein contained and of the mutual benefits to be derived therefrom, the parties hereto agree among and with each other as follows:

PURPOSE

The purpose of this agreement is to enable and to authorize the Operating Interest owners in the East Segment of the Lower Tuscaloosa Pool, West Lincoln Field, Lincoln County, Mississippi, to determine the feasibility of a water flood program for the Lower Tuscaloosa Pool of the East Segment of West Lincoln Field by instituting a Water Flood Program as hereinafter set forth.

I.

DEFINITIONS:

A. WATER FLOOD AREA. The Water Flood Area is hereby defined as that part of the West Lincoln Field, Lincoln County, Mississippi, within the SE $\frac{1}{4}$ of SE $\frac{1}{4}$, Section 15; E $\frac{1}{2}$ of NE $\frac{1}{4}$ of Section 22; and W $\frac{1}{2}$ of NW $\frac{1}{4}$ of Section 23; all in Township 6 North, Range 6 East, Lincoln County, Mississippi, underlain by the Lower Tuscaloosa Oil Pool.

B. OPERATING PARTY. An Operating Party is any owner of an operating interest, i. e., an interest not entitled to share in production free of cost, who, as hereinafter provided, joins herein or becomes an Operating Party by any other means. This definition shall apply whether the parties to this Agreement are referred to as Operating Party or Operating Parties.

C. OPERATOR. Operator shall mean the party (or its successor) specifically designated by the Operating Parties under the Operating Agreement as having the right and duty to develop and operate the Water Flood Well.

D. WATER FLOOD ZONE. Water Flood Zone shall mean all of that certain stratigraphic interval underlying the Water Flood Area which is the interval between the top of the Lower Tuscaloosa Formation and the base of the Lower Tuscaloosa Formation, the top of which stratigraphic interval was encountered at 10,100 feet below sea level and the base of which was encountered at 10,297 feet below sea level in the Roeser & Pendleton, Inc. - Pan American Production Co. - S. J. Holloway Unit Well No. 1 located in the SW $\frac{1}{4}$ of SW $\frac{1}{4}$ of Section 14, Township 6 North, Range 6 East, Lincoln County, Mississippi.

E. WATER FLOOD SUBSTANCES. Water Flood Substances shall mean and include crude petroleum oil, natural gas and other hydrocarbon fluids associated with such crude petroleum oil and natural gas and all other hydrocarbons, whether liquid, gaseous or mixed, contained in the Water Flood Zone.

F. WATER FLOOD PRODUCTION. Water Flood Production shall mean and include all Water Flood Substances produced from the Water Flood Zone from and after the effective date hereof and available for allocation to the several tracts in the Water Flood Area as provided herein after deducting therefrom all Water Flood Substances which are (1) delivered to lessors under the terms of their respective leases for their use on the leased premises; (2) consumed in development, production or other operations, including pressure maintenance and secondary recovery operations; and (3) lost or destroyed in handling.

G. ROYALTY OWNER, ROYALTY RIGHT AND ROYALTY INTEREST. Royalty Owner shall mean (1) any owner who, subject to an Operating Party's right to search for and produce Water Flood Substances, owns carried work-

ing interest, net profit interest, payment out of production, mineral rights, royalties or overriding royalties in and to said Water Flood Substances or the proceeds thereof; (2) any owner of the right, in whole or in part, free of lease, to search for and produce Water Flood Substances from any tract or tracts, which owner, for the purposes hereof, shall be considered to be a Royalty Owner to the extent of one-eighth (1/8) of his respective rights and interests, provided that such one-eighth (1/8) shall be subject to any and all conveyances of royalty interests, carried working interest, net profits interest or payment out of production, if any, in the respective tracts or portions thereof with which such unleased mineral may be burdened. Any such right and interest is defined and referred to herein as "Royalty Right" or "Royalty Interest" to distinguish same from "Operating Interest".

H. OPERATING PARTIES AGREEMENT. The Operating Parties Agreement is the agreement executed as of the date hereof by and between the Operating Parties and designated as "Operating Parties Agreement, Water Flood Project, Lower Tuscaloosa Pool (East Segment), West Lincoln Field, Lincoln County, Mississippi". As among Operating Parties, their interests are also subject to the terms of said Operating Parties Agreement.

II.

WATER FLOOD OPERATIONS:

A. As a part of the consideration for the joinder of the royalty owners in this agreement, the Operating Parties agree to commence, within thirty (30) days after the effective date hereof, operations for the completion of an injection well at a location in the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 23, Township 6 North, Range 6 East, Lincoln County, Mississippi, said well to be completed in the Water Flood Zone, and to complete and equip said well

for salt water injection and/or other substances and to commence operations thereafter by the injection of salt water and/or other substances into said well and into the sands encountered in the Lower Tuscaloosa Pool in an effort to increase the amount of Water Flood Substances which may ultimately be recovered from the Water Flood Zone. Operating Parties shall thereafter, with reasonable diligence, complete the installation or construction of any other equipment, plant or system that may be determined to be feasible or desirable, or necessary or useful to the recovery operations by which additional Water Flood Substances may be recovered, said salt water injection well and the operation thereof shall be taken over by Operating Parties upon completion of such well and installation of the equipment necessary to efficiently and effectively operate same, and shall operate same at all times as would be done by a reasonably prudent operator in the West Lincoln Field under all the circumstances and facts then obtaining, having due regard for the rights of both the Operating Parties and the Royalty Owners.

B. To the extent that they have the power to do so, Royalty Owners hereby grant unto Operating Parties the right to inject into the Water Flood Zone underlying the Water Flood Area, water, salt water, or other substances, or any one or more of them, either separately or in combination with any other, in whatever amounts or volumes Operating Parties deem expedient. Operating Parties shall have the right to place, maintain and operate injection well hereinabove described, and any subsequent injection wells deemed necessary by the Operating Parties for the accomplishment of the purposes herein set forth, in the Water Flood Area, and the Royalty Owners also grant unto Operating Parties the right to drill, complete and operate said well or wells and install and operate related facilities on the

Water Flood Area for said injection purposes into the Water Flood Zone.

III.

DISPOSITION OF PRODUCTION:

From and after the effective date of this Agreement, all production from the Water Flood Zone shall be and become the property of the Operating Parties and the Royalty Owners under the various tracts included within the Water Flood Area in accordance with the actual production of said Water Flood Substances from each producing well located on lands included within the Water Flood Area, i. e., all Operating Parties and Royalty Owners shall share in production from the Water Flood Zone on the basis of actual production from the well or wells in which they own an operating interest or royalty interest just as if this Agreement and Operating Parties Agreement had never been entered into and regardless of whether said wells produce more of the Water Flood Substances or less of the Water Flood Substances after commencement of the injection program herein provided for.

IV.

TRANSFER OF INTEREST:

All of the terms and provisions of this Agreement shall extend to, be binding upon and inure to the benefit of the respective heirs, devisees, legal representatives, successors and assigns of the parties hereto, and this Agreement shall constitute a covenant running with the leases and lands covered hereby.

V.

LAWS AND REGULATIONS:

This Agreement is and shall be subject in all things to all relevant

present and future laws of the State of Mississippi and of the Federal Government and to all rules and regulations and orders of any governmental authority having jurisdiction in the premises. An Operating Party shall not be held in default for failure to perform hereunder if such failure is due to compliance with such laws, rules and regulations or orders. If any governmental decree conflicts with this agreement, the parties hereto agree that such governmental decrees shall prevail and be presumed valid for all purposes hereof unless and until definitely revoked or set aside.

VI.

EFFECTIVE DATE AND DURATION:

A. This Agreement shall become binding upon the parties hereto immediately upon execution hereof but shall not become effective until executed by ninety-five percent (95%) in interest of the Operating Parties and Royalty Owners within the Water Flood Area and after approval by the Oil and Gas Board of the State of Mississippi of the water injection program.

B. From and after the effective date of this Agreement, same shall remain in force and effect so long as either or both of the following conditions shall prevail without cessation or interruption of more than ninety (90) consecutive days:

1. So long as one or more of the Water Flood Substances are produced from the Water Flood Area in paying quantities.

2. So long as Operating Parties are engaged in drilling, reworking or other operation in any part of the Water Flood Area for the purpose of discovering, obtaining or producing any Water Flood Substances.

VII.

MISCELLANEOUS:

A. Property rights, leases, contracts, and all other rights and obligations with respect to the oil, gas and other rights in and to the several tracts are hereby amended to the extent necessary to make the same conform to the provisions and requirements of this Agreement, but otherwise shall remain in full force and effect.

B. This Agreement may be executed in any number of counterparts, and each such counterpart so executed 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 document.

C. This Agreement shall never be construed as imposing upon any Royalty Owner, as such, any obligation to pay any part of the costs or expenses incurred in the development and operation of the Water Flood Area for Water Flood Substances, except to the extent that Royalty Owner may be so obligated by the terms of other agreements made before the effective date of this agreement.

D. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective, and nothing contained in this Agreement shall ever be construed to create a trust or association or to impose a partnership duty, obligation or liability with respect to any one or more of the parties hereto.

E. Subject to the other provisions hereof, this Agreement shall be binding upon the parties hereto, whether or not it is executed by all of the parties owning Operating and Royalty Interests in the several tracts comprising the Water Flood Area. It shall not be necessary for parties

owning both Operating Rights and Royalty Interests to execute this agreement in both capacities in order to commit both classes of interests.

Execution hereof by any such party in one capacity shall also constitute execution in the other capacity.

F. The terms and provisions hereof shall be covenants running with the lands, mineral rights and leases covered hereby and shall be binding upon the respective heirs, devisees, successors, and assigns of the Operating Parties and Royalty Owners hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple originals as of the day and year first above written.

ATTEST:

By: _____

ATTEST:

By: _____

ATTEST:

By: _____

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority in and for the State and County aforesaid, personally came and appeared _____, _____, and _____, of _____, who each acknowledged that as such officers of said corporation, they signed, sealed and delivered the above and foregoing instrument on the day and year therein mentioned as the act and deed of said corporation, being first thereunto duly authorized so to do.

GIVEN under my hand and official seal of office, this _____ day of _____, 1966.

Notary Public

My commission expires:

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority in and for the State and County aforesaid, personally came and appeared _____, _____, and _____, of _____, who each acknowledged that as such officers of said corporation, they signed, sealed and delivered the above and foregoing instrument on the day and year therein mentioned as the act and deed of said corporation, being first thereunto duly authorized so to do.

GIVEN under my hand and official seal of office, this _____ day of _____, 1966.

Notary Public

My commission expires:

STATE OF _____

COUNTY OF _____

BEFORE ME, the undersigned authority in and for the State and County aforesaid, personally came and appeared _____,

_____, and _____, _____,
of _____, who each acknowledged that
as such officers of said corporation, they signed, sealed and delivered the
above and foregoing instrument on the day and year therein mentioned as the
act and deed of said corporation, being first thereunto duly authorized so to do.

GIVEN under my hand and official seal of office, this _____ day
of _____, 1966.

Notary Public

My commission expires:

STATE OF _____

COUNTY OF _____

Personally appeared before me, the undersigned authority at law in
and for said County and State, the within named _____,
who acknowledged that he signed and delivered the above and foregoing
instrument on the day and year therein mentioned.

GIVEN under my hand and official seal of office, this _____ day
of _____, 1966.

Notary Public

My commission expires:

STATE OF _____

COUNTY OF _____

Personally appeared before me, the undersigned authority at law in
and for said County and State, the within named _____,
who acknowledged that he signed and delivered the above and foregoing
instrument on the day and year therein mentioned.

GIVEN under my hand and official seal of office, this _____ day
of _____, 1966.

Notary Public

My commission expires:
