

Docket 212-78-2

UNIT AGREEMENT

EUTAW UNIT, PICKENS FIELD
MADISON COUNTY, MISSISSIPPI

THIS AGREEMENT, entered into as of the _____ day of _____, 1978,

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 Pickens Field, in Madison 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 Section 53-3-101, et seq., or Section 53-3-7(d) or (e), Mississippi Code of 1972;

NOW, THEREFORE, it is provided as follows:

ARTICLE I

DEFINITIONS

As used in this Agreement:

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

1.2 Unitized Formation is the subsurface portion of the Unit Area described as the Wilburn Sand of the Eutaw Formation in the interval between that sand which occurs at a depth of 4804' on the log of the Phillips Petroleum Company Whitworth No. 8 well, 2504' South and 1204' West of the Northeast Corner of Section 4, T11N, R3E, Madison County, Mississippi, Pickens Field, and all intervals in communication therewith correlative of said strata.

1.3 Unitized Substances are all oil and gas, and all associated and constituent substances other than Outside Substances within or produced from the Unitized Formation.

1.4 Working Interest is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, including a carried interest, the owner of which is primarily obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest.

1.5 Royalty Interest is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner is a Person who owns a Royalty Interest.

1.7 Working Interest Owner, Owner, or Lessee is a Person who owns a Working Interest.

1.8 Tract is the land identified as such and given a tract number in Exhibit A.

1.9 Unit Operating Agreement is the Agreement having the same Effective Date as this Agreement, entitled "Unit Operating Agreement, Eutaw Unit, Pickens Field, Madison 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 substances purchased or otherwise obtained for a consideration by Working Interest Owners and injected into the Unitized Formation and includes any Unitized Substance sold and repurchased by Operator as well as natural gas produced and utilized for energy to operate Unit Equipment.

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.

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.

1.17 Unit Expense is all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.18 Effective Date is the time and date this Agreement becomes effective as provided in Article 13.

1.19 Person is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of the state, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formation.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits, which are attached hereto, are incorporated herein by reference:

2.1.1 Exhibit A is a schedule that identifies each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B is a map or plat that shows the boundary lines of the Unit Area, the Tracts therein, and wells completed in the Unitized Formation.

2.2 Reference to Exhibits. When reference is made to an exhibit, it is to the original exhibit, or, if revised, to the last revision.

2.3 Exhibits Considered Correct. Exhibits A and B shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If any Tract, because of diverse royalty or working interest ownership on the Effective Date, should have been divided into more than one Tract, or if any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of Working Interest Owners, 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 the county or counties in which this Agreement is filed.

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.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by Working Interest Owners. The rights and interests therein as among Working Interest Owners are set forth in the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments pertaining to the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this Agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Interests. The portion of Unitized Substances produced and allocated to a Tract shall be deemed, for all purposes, to have been produced from such Tract, and operations with respect to any Tract shall be deemed for all purposes to be the conduct of operations for the production of oil or gas, or both, from each Tract.

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 any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, together with the right to drill, use, and maintain injection wells in the Unit Area, and 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 reasonably develop 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.

ARTICLE 4

UNIT OPERATIONS

4.1 Unit Operator. John W. McGowan is hereby designated as the initial Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this Agreement shall govern.

4.2 Method of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in pressure maintenance and secondary recovery operations in an effort to increase the amount of Unitized Substances which may ultimately be recovered from the Unitized Formation. The Working Interest Owners shall install and utilize such equipment as may be determined to be feasible or desirable, in the sole discretion of Working Interest Owners, for the purpose of secondary recovery operations, pressure maintenance or any other method generally recognized and approved by the industry by which additional Unitized Substances may be recovered. Unit Operator shall operate such equipment and installation in the manner and at such times as would be done by a reasonably prudent operator under all the circumstances and conditions then prevailing, having due regard for the rights of both the Working Interest Owners and Royalty Owners. All Unitized Substances contained in the Unit Area shall be produced and sold as rapidly as possible without excessive damage to the reservoir and without decreasing the ultimate recovery of such Unitized Substances.

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, at their sole discretion, if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances, including any tertiary recovery system or miscible flood.

ARTICLE 5

TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation for each Tract is shown on Exhibit A. The participation percentages shown on Exhibit A were determined in accordance with factors set forth on said Exhibit A.

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether the amount is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be accounted for to the Persons entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Agreement not been entered into, and with the same legal effect. If any Oil and Gas

Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the 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 Sale of Unitized Substances. Unit Operator shall sell all Unitized Substances for the best market price reasonably available to him in light of existing contracts and applicable Federal statutes and regulations. Proceeds of such sales shall be distributed to the Royalty Owners and Working Interest Owners as their interests appear.

6.4 Outside Substances. Any Unitized Substances produced, but not sold, and whether utilized for energy to operate Unit Equipment, for injection or otherwise, shall be deemed to be Outside Substances, and no payment shall be due Royalty Owners or Working Interest Owners as regards the same.

ARTICLE 7

TITLE

7.1 Immediately after the Effective Date hereof, Unit Operator shall sell enough oil from each lease tank so that each lease tank shall contain the same approximate amount of merchantable oil. All such initial sales shall be treated as sales from the respective

lease tanks individually--outside of this agreement--and the proceeds of such sales shall be distributed to the persons entitled thereto prior to the execution of this agreement. When each lease tank has been sold down to the same approximate level, all subsequent sales shall be made, and the proceeds of the same shall be distributed, in accordance with the other provisions of this agreement.

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.

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, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

10.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 11

RELATIONSHIPS OF PERSONS

11.1 No Partnership. All duties, obligations, and liabilities arising hereunder shall be several and not joint or collective. This Agreement shall not be construed to create an association or trust, or to impose a partnership or fiduciary duty, obligation, or liability. Each Person affected hereby shall be individually responsible for its own obligations.

11.2 No Joint Refining or Marketing. This Agreement shall not be construed to provide, directly or indirectly, for any joint refining or marketing of Unitized Substances.

11.3 Royalty Owners Free of Costs. This Agreement shall not be construed to impose upon any Royalty Owner any obligation to pay Unit 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 12

FORCE MAJEURE

12.1 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 Federal, state, or municipal laws; by any rule, regulations, or order of a governmental agency; by inability to secure materials; 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. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 13

EFFECTIVE DATE

13.1 Effective Date. This Agreement shall become effective as of the date determined by Working Interest Owners in accordance with the voting provisions of the Unit Operating Agreement. Such determination by Working Interest Owners shall be made in accordance with an order approving this unit by State Oil and Gas Board of Mississippi.

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

ARTICLE 14

TERM

14.1 Term. This Agreement shall remain in effect so long as Unitized Substances are produced in paying quantities without a cessation of more than ninety (90) days, or so long as other Unit Operations are conducted without a cessation of more than ninety (90) days, unless sooner terminated by Working Interest Owners owning a combined Unit Participation of eighty-five percent (85%) or more whenever such Working Interest Owners determine that Unit Operations are no longer economically feasible.

14.2 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 and 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.

14.3 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting the separate Tracts, Working Interest Owners shall have a period of six (6) months after the date of termination of this Agreement within which to salvage and remove Unit Equipment.

14.4 Certificate of Termination. Upon termination of this Agreement, Unit Operator shall record in Madison County, Mississippi, a certificate that this Agreement has terminated, stating its termination date.

ARTICLE 15

APPROVAL

15.1 Original, Counterpart, or Other Instrument. An owner of Oil and Gas Rights may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument and shall constitute approval of the entire Plan of Unitization composed of this Agreement and the Unit Operating Agreement.

15.2 Commitment of Interests to Unit. The approval of this Agreement by a Person shall bind that Person and commit all interests owned or controlled by that Person as of the date of such approval, and additional interests thereafter acquired.

15.3 Alternate Voluntary Unit. In the event this unit does not qualify as a statutory unit pursuant to Sections 53-3-101, et seq., Mississippi Code of 1972, the Working Interest Owners may elect to operate the Unit pursuant to Section 53-3-7(d) or (e), Mississippi Code of 1972.

ARTICLE 16

DETERMINATIONS BY WORKING INTEREST OWNERS

16.1 Determinations by Working Interest Owners. All decisions, determinations, or approvals by Working Interest Owners hereunder shall be made pursuant to the voting procedure of the Unit Operating Agreement unless otherwise provided herein.

ARTICLE 17

SUCCESSORS AND ASSIGNS

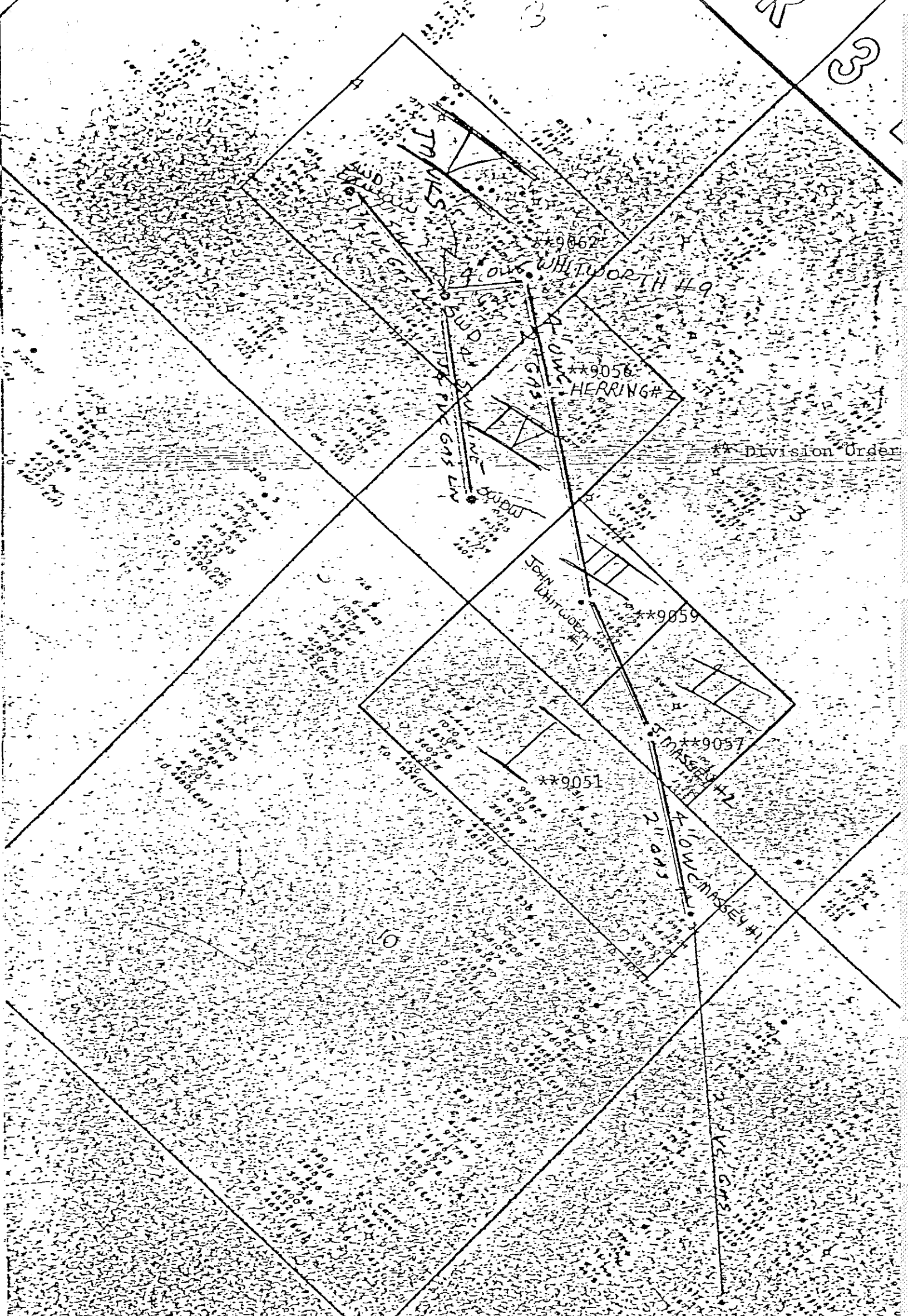
17.1 Successors and Assigns. This Agreement shall extend to, be binding upon, and inure to the benefit of the Royalty Owners and Working Interest Owners and their respective heirs, devisees, legal representatives, successors, and assigns, and shall constitute a covenant running with the lands, leases,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

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

"See attached approval instruments."

EXHIBIT "A"
 ATTACHED TO EULAW UNIT PICKENS FIELD
 UNIT AGREEMENT
 MADISON COUNTY, MISSISSIPPI

<u>Tract No.</u>	<u>Tract Name</u>	<u>Lane Description</u>	<u>Acres GLO</u>	<u>Tract Participation</u>
1	Massey #1	NE $\frac{1}{4}$ of the NW $\frac{1}{4}$, NW $\frac{1}{4}$ of the NE $\frac{1}{4}$, and NE $\frac{1}{4}$ of the NE $\frac{1}{4}$, less and except the East 15.36 acres thereof, all in Section 10, T11N, R3E, Madison County, Mississippi.	104.64 104.3	20 %
2	Jones-Massey #2	SW $\frac{1}{4}$ of the SE $\frac{1}{4}$, Section 3, T11N, R3E, Madison County, Mississippi	40 39.4	20 %
3	J Whitworth #1	SE $\frac{1}{4}$ of the SW $\frac{1}{4}$, Section 3, T11N, R3E, Madison County, Mississippi	40 39.4	20 %
4	I G Herring #2	SW $\frac{1}{4}$ of the SW $\frac{1}{4}$, NW $\frac{1}{4}$ of SW $\frac{1}{4}$, Section 3, T11N, R3E, Madison County, Mississippi	80 78.8	20 %
5	Whitworth Lease #9	NE $\frac{1}{2}$ of the SE $\frac{1}{4}$ and the S $\frac{1}{2}$ of the S $\frac{1}{2}$ of the NE $\frac{1}{4}$, all in Section 4, T11N, R3E, Madison County, Mississippi	120 118.1	20 %



** Division Order

EXHIBIT B
 ATTACHED TO EUTAW UNIT-PICKENS FIELD
 UNIT AGREEMENT
 MADISON COUNTY, MISSISSIPPI

APPROVAL INSTRUMENT
UNIT AGREEMENT
EUTAW UNIT, PICKENS FIELD
MADISON COUNTY, MISSISSIPPI

The undersigned hereby acknowledges receipt of a complete copy of the proposed Unit Agreement--Eutaw Unit, Pickens Field, Madison County, Mississippi, and hereby approves the same.

ROYALTY INTEREST OWNER

ATTEST:

(If Corporation) By: _____

Date: _____ Title: _____

Address: _____
