

UNIT AGREEMENT
McGRAW SAND WATERFLOOD UNIT
NORTH SEGMENT - TINSLEY FIELD
YAZOO COUNTY, MISSISSIPPI

204-69-1

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EXHIBITS

Exhibit "A"	Description of and Percentage of Participation of Each Tract Comprising The Unit Area
Exhibit "B"	Unit Outline with Tract Designations

UNIT AGREEMENT
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THIS AGREEMENT, entered into as of the first day of _____, 1969, to be effective as herein provided, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

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 oil and gas from a portion of the North Segment of the Tinsley Field (McGraw Sand), in Yazoo County, State of Mississippi, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct the secondary recovery program as herein provided;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1
DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Unit Area means the lands described by Tracts in Exhibit A and shown on Exhibit B as to which this agreement becomes effective or to which it may be extended as herein provided.

1.2 Unitized Formation means that subsurface portion of the Unit Area known as the McGraw Sand and more generally described as follows:

The McGraw Sand is that strata of the Eutaw Formation encountered and shown on the electric log at the interval 5,783 feet to 5,808 feet in the Union Producing Company Slick No. 17 Well located in the SE 1/4 of SE 1/4 of Section 35, Township 11 North, Range 3 West, Yazoo County, Mississippi, and all sands correlative therewith in and under the Unit Area.

1.3 Unitized Substances means all oil and gas within or produced from the Unitized Formation which is not attributable to an interest in production uncommitted hereto.

1.4 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all of a portion of the cost

of drilling, developing, producing and operating the Unitized Formation.

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

1.6 Royalty Owner means a party hereto who owns a Royalty Interest.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his Interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

1.8 Tract means each parcel of land described as such and given a Tract Number in Exhibit A.

1.9 Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, McGraw Sand Waterflood Unit, North Segment, Tinsley Field, Yazoo County, Mississippi" of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

1.10 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation means the percentage shown on Exhibit A for allocating Unitized Substances to a Tract under this agreement.

1.11.1 Acre Foot means 43,560 cubic feet of the Unitized Formation containing Unitized Substances as determined under each Tract shown on Exhibit A by the Working Interest Owners.

1.11.2 Cumulative Unitized Formation Oil Produced means the total barrels (42 U. S. gals.) of oil produced from each McGraw Sand completion within the Unit Area prior to January 1, 1969, as determined by the Working Interest Owners.

1.11.3 1968 Unitized Formation Oil Produced means the total barrels (42 U. S. gals.) of oil produced from each McGraw Sand completion within the Unit Area during the calendar year of 1968 as determined by the Working Interest Owners.

1.12 Unit Participation of each Working Interest Owner means the sum of the percentages obtained by multiplying the undivided interest in the Working Interest in each Tract of such Working Interest Owner by the Tract Participation of such Tract.

1.13 Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.14 Oil and Gas Rights means the right 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 means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

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

1.17 Unit Expense means 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 Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender include the masculine and the feminine.

ARTICLE 2 EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference:

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

2.1.2 Exhibit B, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.2 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit 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 it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, may 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 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 pursuant to this agreement, Unit Operator shall certify and file the revised exhibit 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. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described 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 operations may be conducted as if the Unitized Formation 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 had been subject to 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 the Working Interest Owners. The rights and interests therein as among Working Interest Owners are covered by 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 covering 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 Royalties. Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect on each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto Working Interest Owners the right to inject into the Unitized Formation water, salt water, gas, air or any other substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for such purposes. Moreover, Working Interest Owners shall have the right to drill, maintain and operate one or more injection well or wells at a location or locations on the Unit Area to be chosen by the Working Interest Owners. Royalty Owners also hereby grant to Working Interest Owners the right to use producing and abandoned oil and gas wells and to drill wells on the Unit Area for such injection purposes together with the right to produce, use and store, either from the Unit Area or from lands described in any leases, portions of which comprise the Unit Area, salt water or any other substances necessary, desirable or incidental to injection into the Unitized Formation regardless of the formation or

formations underlying the Unit Area from which such salt water or other substances may be produced.

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

ARTICLE 4 PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are, as of the effective date of this agreement, entering into the Unit Operating Agreement, designating Union Producing Company as Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations. The Operations 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 Operating Methods. 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, conduct a reasonable pressure maintenance or secondary recovery operation by means of the injection of water, salt water, gas, air or other substances, or any combination of two or more thereof, into the Unitized Formation. Working Interest Owners shall install and operate such pressure maintenance or secondary recovery facilities as are, in the best judgment of Working Interest Owners, adapted to the most efficient, practical and economical operation of the Unit Area for the conservation and efficient recovery of Unitized Substances, having due regard both to the interests of Working Interest Owners and Royalty Owners. Such other methods of operation as may from time to time be determined by Working Interest Owners to be feasible, necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances may be conducted by Working Interest Owners.

4.3 Change of Operating Methods. 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 or 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.

ARTICLE 5 TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each Tract is shown in Exhibit A. The participation interest of each Tract is 70% of the proportion that the proven Acre Feet of Unitized Formation assigned to the Tract bears to the total proven Acre Feet in the Unitized Formation, plus 15% of the proportion that the Cumulative Unitized Formation Oil Produced from the Tract bears to the total Cumulative Unitized Formation Oil Produced from the Unit Area, plus 15% of the proportion that the 1968 Unitized Formation Oil Produced from the Tract bears to the total 1968 Unitized Formation Oil Produced from the Unit Area. The total Tract Participation is the sum of its proven Acre Feet interest and its Cumulative Unitized Formation Oil Produced interest and its 1968 Unitized Formation Oil Produced interest.

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

ARTICLE 6
ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation of 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 it 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 distributed among, or accounted for to, the parties 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. It is agreed that the Unitized Substances allocated to each Tract hereunder shall be considered, for the purposes of paying royalty and overriding royalty, as having been produced from a well located on each said Tract, whether or not any such Tract has a well located thereon producing from the Unitized Formation and such production will not be deemed to have been produced from a well located on said Tract producing from any other formation or geological strata.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the Ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided that 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 the Unitized Substances shall be borne by the receiving party. 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 the Unitized Substances.

6.4 Failure to Take in Kind. In the event any party shall fail to make arrangements necessary to take in kind or separately dispose of its proportionate share of the production from the Unit Area, the Unit Operator shall have the right, subject to revocation at will by the party owning same, but not the obligation, to sell and dispose of such production at a price not less than the price which Unit Operator receives for its portion of the production from the Unit Area. Any contract of sale by the Unit Operator for any other party's share of the production from the Unit Area shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, and in no event for a period in excess of one (1) year. Notwithstanding the foregoing, the Unit Operator shall not make a sale into interstate commerce of any

other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale. This agreement shall not be construed to provide that any party hereto is obligated to represent any other party hereto before the Federal Power Commission.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom. In the event of a sale or a disposal of all or any part of said Unitized Substances by the Unit Operator, the Unit Operator shall pay to the operator of each Tract, or if there be no such operator, to the Working Interest Owners in such Tract, all of the proceeds allocable to such Tract, whereupon said Tract operator, or said Working Interest Owners, shall be responsible and liable for the payment of all royalties, overriding royalties, production payments and all other payments chargeable against or payable out of such proceeds, and the indemnities mentioned in the preceding sentence shall apply to the disbursement of such proceeds.

6.6 Royalty on Outside Substances. If any Outside Substance is injected into the Unitized Formation, fifty per cent (50%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be the Outside Substance so injected until the total volume thereof equals the total volume of the Outside Substance so injected. No payments shall be due or payable to Royalty Owners on Outside Substances.

ARTICLE 7 PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a. m., on the effective date hereof. All such oil shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments and all other payments under the provisions of the applicable lease or other contracts. Commencing on the effective date hereof and continuing thereafter for the term of this agreement, all non-unitized oil must be contained and stored within tanks other than those used for Unitized Substances, and all non-unitized gas must either be transported through lines other than those used for Unitized Substances or must be separately metered from Unitized Substances (at the expense of the owners of the Working Interest in the Non-unitized Formation from which such non-unitized gas is produced) if transported in the same lines with Unitized Substances.

ARTICLE 8 USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary 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 upon, or with respect to, Unitized Substances used or consumed in Unit Operations, or which otherwise may be lost or consumed in the

production, handling, treating, transportation or storing of Unitized Substances.

ARTICLE 9
TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit A and that otherwise qualify as follows:

9.1.1 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning ninety percent (90%) or more of the Royalty Interest have become parties to this agreement.

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than ninety percent (90%) of the Royalty Interest have become parties to this agreement, and as to which (a) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) all of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract.

9.2 Subsequent Commitment of Interest to Unit. After the effective date of this agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest.

9.3 Revision of Exhibits. If any of the Tracts described in Exhibit A fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts, and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the effective date hereof.

ARTICLE 10
TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest. The party recovering title to such Royalty Interest shall thereafter succeed to the rights of the former owner.

10.5 Production Where Title Is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the discretion of Working Interest Owners shall either:

(a) Require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) Withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

ARTICLE 11 EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit Operations, including but without limitation upon the foregoing language, the right to construct, equip, maintain and operate flow lines, pipelines, tanks and other facilities for producing, gathering, processing, storing and disposing of Unitized Substances; provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site. Provided, however, that nothing in this section is intended to, or shall, limit, diminish or detract from any existing easement or other similar rights held by the Working Interest Owners under existing leases, grants or other contracts and agreements.

11.2 Use of Water. Working Interest Owners shall have 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.

11.3 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 12
ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive by adding to or including within the Unit Area a pool or pools or any portion or portions or combinations thereof not theretofore included, and extensions of existing pools, upon such terms as may be determined by Working Interest Owners, including but not limited to, the following:

12.1.1 In providing for allocation of production from the Unit Area, there shall first be allocated to each pool or portion thereof so added a portion of the total production of oil or gas, or both, from all pools affected within the Unit Area, as enlarged, such allocation to be based on the relative contribution which such added pool or portion or extensions thereof are expected to make, during the remaining course of unit operations, to the total production of oil or gas, or both, to the unit as enlarged.

12.1.2 The production so allocated to each added pool or portion thereof shall be allocated to the separately owned tracts in the added Unit Area on the basis of the relative contribution of each such tract, as provided in paragraph (c) of Section 3, Chapter 236, Mississippi Laws of 1964, being Section 6132-103(c) Mississippi Code of 1942, Recompiled.

12.1.3 There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

12.1.4 The enlargement of the Unit Area shall only be authorized pursuant to the vote of the Working Interest Owners.

12.2 Determination of Tract Participation. Working Interest Owners, subject to Section 5.2 and based upon the same relative factors and consideration specified in Section 5.1, shall determine the Tract Participation of each tract within the Unit Area as enlarged, and shall revise Exhibits A and B accordingly.

12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00 a. m. on the first day of the calendar month following compliance with conditions for enlargement as specified by Working Interest Owners, approval of the enlargement by the State Oil and Gas Board of Mississippi, and the filing for record of revised Exhibits A and B in the records of Yazoo County, Mississippi.

ARTICLE 13
CHANGE OF TITLE

13.1 Covenant Running with the Land. 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 shall constitute a covenant running with the lands, leases and interests covered hereby.

13.2 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring,

until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change in ownership.

13.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE 14 RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

ARTICLE 15 LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to the conservation laws of the State of Mississippi; to the valid rules, regulations and orders of the State Oil and Gas Board of Mississippi; and to all other applicable federal, state and municipal laws, rules, regulations and orders.

ARTICLE 16 FORCE MAJEURE

16.1 All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by Federal, state or municipal laws; by any rule, regulation or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party. No party shall be required against its 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 17 EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each

party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.2, shall become effective as to all Working Interest Owners and Royalty Owners who are parties hereto, and any successors or assigns thereof, at the time and date set forth in a resolution adopted by a vote of Working Interest Owners, which resolution shall direct the Unit Operator, after fulfilling the requirements hereinafter set forth, to file of record a certificate in Yazoo County, Mississippi, which shall set forth the fact of said resolution the book and page in which a counterpart of this agreement has been recorded, and the docket number and order number of the order of approval by the State Oil and Gas Board of Mississippi. The Unit Operator shall not file said certificate until the following requirements have been met:

17.1.1 At least one counterpart of this agreement has been filed for record by Unit Operator in Yazoo County, Mississippi.

17.1.2 This agreement has been approved by the State Oil and Gas Board of Mississippi.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before March 1, 1970, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least seventy-five percent (75%) have become parties to this agreement and have decided to extend the termination date for a period not to exceed one year. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be as shown on the original Exhibit C attached to the Unit Operating Agreement.

ARTICLE 18 TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by two (2) or more Working Interest Owners having a combined Unit Participation of at least sixty-five percent (65%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment upon Termination. If not otherwise granted by the lease or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and

remove Unit Equipment.

18.5 Certificate of Termination. Upon termination of this agreement as provided in either Section 18.1 or Section 18.2 above, the Unit Operator shall file for record in Yazoo County, Mississippi, a certificate reciting the facts as to such termination and the effective date thereof.

ARTICLE 19
EXECUTION

19.1 Original, Counterpart or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

ARTICLE 20
GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Action by Working Interest Owners. Any action, vote or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement, Section 4.3.

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

WORKING INTEREST OWNERS

Attest:

UNION PRODUCING COMPANY

Secretary

By _____
President

Attest:

TEXACO, INC.

Secretary

By _____
President

EXHIBIT "A"

ATTACHED TO UNIT AGREEMENT

McGRAW SAND WATERFLOOD UNIT - NORTH SEGMENT
TINSLEY FIELD, YAZOO COUNTY, MISSISSIPPI

DESCRIPTION OF AND PERCENTAGE OF PARTICIPATION
OF EACH TRACT COMPRISING THE UNIT AREA

<u>Tract</u>	<u>Description</u>	<u>Percentage of Participation</u>
	<u>Twp. 11 N., Rng. 3W</u>	
35-8	SE $\frac{1}{4}$ NE $\frac{1}{4}$ Section 35	4.13862
35-9	NE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 35, LESS AND EXCEPT 0.86 acres, more or less, in the form of a tri- angle out of the northwest corner thereof. Said tri- angle of land is part of that certain tract described in Deed dated January 9, 1900 executed by Albert Davenport in favor of Polly Davenport, recorded in Book BF at Page 69 of the records of the Chancery Clerk of Yazoo County, Missis- sippi.	8.34166
35-16	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 35	23.85275
	Subdivided as follows: 35-16-A	23.37231
	35-16-B	0.48044
	Total	<u>23.85275</u>
36-5	SW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 36	11.20441
36-6	SE $\frac{1}{4}$ NW $\frac{1}{4}$ Section 36	10.99560
36-11	NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 36	13.75606
36-12	NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 36	16.77864
36-13	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 36	7.40165
36-14	SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 36	<u>3.53061</u>
	Total Unit	100.00000

