

CERTIFICATION-DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior under the Outer Continental Shelf Lands Act, approved August 7, 1953, 67 Stat. 462; ✓
43 U.S.C. 1331 et seq.; and delegated to the Director of the Geological Survey on April 30, 1965 (30 F.R. 6363, May 6, 1965), I do hereby:

- A. Approve the attached Agreement for the development and operation of the South Timbalier Block 21 ✓
D-2 Sand Reservoirs Unit, Gulf of Mexico,
Offshore, Louisiana.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached ✓
Agreement is in the interest of conservation.

Dated:

AUG 10 1966

Arthur R. Baker

Acting Director
United States Geological Survey ✓

Contract No. 14-08-0001 8806

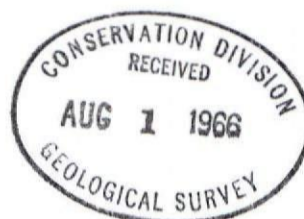
SCANNED

208

TABLE OF CONTENTS
 SOUTH TIMBALIER BLOCK 21
 D-2 SAND RESERVOIRS UNIT AGREEMENT
 OFFSHORE, LOUISIANA

		<u>Page</u>
Article 1	Enabling Act and Regulations	2
1.1	Enabling Act and Regulations	2
Article 2	Unit Area and Exhibits	2
2.1	Unit Area	2
2.2	Expansion of the Unit Area	2
2.3	Exhibits	3
Article 3	Unitized Land and Unitized Substances	4
3.1	Unitized Land and Unitized Substances	4
Article 4	Unit Operator	4
4.1	Unit Operator	4
4.2	Rights and Obligations of Unit Operator	5
Article 5	Working Interest Owners Participation and Costs	5
5.1	Working Interest Owners Participation	5
5.2	Unit Cost	5
Article 6	Plan of Development and Operation	6
6.1	Plan of Development and Operation	6
Article 7	Determination of Participation	6
7.1	Determination of Participation	6
7.2	Participation by Tracts	7
7.3	Correcting Errors	8
Article 8	Royalties	9
8.1	Method of Making Royalty Payments	9
8.2	Royalty Settlement	9
Article 9	Relinquishment of Leases	10
9.1	Relinquishment of Leases	10
Article 10	Conservation	10
10.1	Conservation	10
Article 11	Drainage	10
11.1	Drainage	10

	<u>Page</u>	
Article 12	Leases and Contracts Conformed and Extended	10
12.1	Leases and Contracts Conformed and Extended	10
Article 13	Covenants	12
13.1	Covenants Run with Land	12
Article 14	Effective Date and Term	12
14.1	Effective Date and Term	12
14.2	Effect of Termination	12
14.3	Salvaging Rights on Termination	13
Article 15	No Waiver of Certain Rights	13
15.1	No Waiver of Certain Rights	13
Article 16	Unavoidable Delay	13
16.1	Unavoidable Delay	13
Article 17	Non-Discrimination	13
17.1	Non-Discrimination	13
Article 18	Change of Lease Boundaries Within Unit Area	14
18.1	Change of Lease Boundaries Within Unit Area	14
Article 19	Counterparts	14
19.1	Counterparts	14
Article 20	Taxes	14
20.1	Taxes	14
Article 21	Easements or Use of Surface	15
21.1	Easements or Use of Surface	15
21.2	Personal Property Excepted	15
Article 22	Liabilities of Parties	15
22.1	Relationship of Parties	15
22.2	No Sharing of Market	16
Article 23	Miscellaneous	16
23.1	Appearances	16
23.2	Notices	17
23.3	Gender	17
23.4	Headings	17
Article 24	Successors and Assigns	17
24.1	Successors and Assigns	17



SOUTH TIMBALIER BLOCK 21
D-2 SAND RESERVOIRS UNIT AGREEMENT ✓
OFFSHORE, LOUISIANA

SCANNED
207

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE
SOUTH TIMBALIER BLOCK 21 D-2 SAND RESERVOIRS UNIT
OFFSHORE, LOUISIANA

14-08-0001 8806

THIS AGREEMENT, entered into by and between the parties subscribing, ratifying or consenting hereto, or who sign a counterpart hereof, which parties are referred to herein as the "parties hereto";

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the Unit Area subject to this Agreement; and,

WHEREAS, the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462, hereinafter referred to as the "Act", authorizes the Secretary of the Interior in the interest of conservation to provide for unitization, pooling and drilling agreements for oil and gas; and,

WHEREAS, the parties hereto deem it in the interest of conservation to unitize leases, or portions thereof, insofar as the hereinafter defined D-2 Sand Reservoirs are concerned, with the consent of the Director of the Geological Survey, hereinafter referred to as "Director", for the purpose of obtaining additional recovery of reserves of oil and gas under the provisions of Section 5(a)(1) of the Act; and,

WHEREAS, the State Mineral Board of Louisiana, hereinafter referred to as the "Board", has authority under Title 30:129, Louisiana Revised Statutes of 1950, as amended, to enter into agreements providing for the unitization of mineral leases granted by the State of Louisiana; and,

WHEREAS, the Unit Area embraces lands within both Zone 1 and Zone 2 as delineated and defined in the Interim Agreement between the United States and the State of Louisiana, dated October 12, 1956, as amended December 11, 1964; and,

WHEREAS, Paragraph 12(a) of said Interim Agreement provides that the parties thereto shall consult and cooperate with respect to the approval of pooling or drilling agreements; and,

WHEREAS, the parties hereto hold sufficient interests in the land hereinafter described to give reasonably effective control of operation therein; and,

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development

1 and operation of the Unit Area by converting the D-2 Sand Reservoirs within the 1
2 Unit Area from water drive to a gas-cap-and-gravity-segregation drive as a means 2
3 of obtaining additional recovery of the oil and gas reserves therein under the 3
4 terms, conditions, and limits herein set forth. 4

5 NOW, THEREFORE, in consideration of the premises and the promises here- 5
6 in contained, the parties hereto commit to this agreement their respective leases 6
7 and interests in the Unit Area as defined in Article 2 hereof and agree severally 7
8 among themselves as follows: 8

9 ARTICLE 1 9

10 ENABLING ACT AND REGULATIONS 10

11 1.1 ENABLING ACT AND REGULATIONS. The Outer Continental Shelf Lands 11
12 Act of August 7, 1953, Supra, and all valid pertinent regulations heretofore 12
13 issued thereunder or valid, pertinent and reasonable regulations hereafter issued 13
14 thereunder are accepted and made a part of this agreement as to lands covered 14
15 by Federal leases, provided such regulations are not inconsistent with the terms 15
16 of this agreement; and as to lands covered by State of Louisiana leases, the oil 16
17 and gas operating regulations in effect as of the effective date hereof governing 17
18 drilling and producing operations, not inconsistent with the terms hereof or the 18
19 laws of the State of Louisiana, are hereby accepted and made a part of this 19
20 agreement. 20

21 ARTICLE 2 21

22 UNIT AREA AND EXHIBITS 22

23 2.1 UNIT AREA. The area specified on the map marked Exhibit "A", 23
24 attached herewith and made a part hereof is hereby designated and recognized as 24
25 constituting the "Unit Area", containing 888.983 acres, more or less. 25

26 2.2 EXPANSION OF THE UNIT AREA. Said Unit Area shall, when practicable, 26
27 be expanded to include therein any additional lands or reservoirs regarded as 27
28 reasonably necessary or advisable for the purposes of this agreement. Such 28
29 expansion shall be effected in the following manner: (a) Unit Operator, after 29
30 preliminary concurrence by the Director and the Board, shall prepare a notice of 30
31 proposed expansion describing the contemplated changes in the boundaries and/or the 31
32 reservoirs of the Unit Area, the reasons therefor, and the proposed effective 32
33 date thereof, preferably the first day of the month subsequent to the date of 33
34 notice; (b) said notice shall be delivered to the Oil and Gas Supervisor, 34

1 hereinafter referred to as "Supervisor", and the Board, and copies thereof mailed 1
2 to the last known addresses of each Working Interest Owner, Lessee, and Lessor 2
3 whose interests are affected advising that thirty (30) days will be allowed for 3
4 submission to the Unit Operator of any objections; (c) upon expiration of any 4
5 thirty (30) day period provided in the preceding item (b) hereof, Unit Operator 5
6 shall file with the Supervisor and the Board evidence of mailing of the notice of 6
7 expansion and a copy of any objections thereto which have been filed with the Unit 7
8 Operator, together with an application in sufficient number, for approval of such 8
9 expansion; (d) after due consideration of all pertinent information, the expansion 9
10 shall, upon approval by the Director and the Board, become effective as of the 10
11 date prescribed in the notice thereof. 11

12 In connection with the enlargement or expansion of the Unit Area as 12
13 herein provided, reasonable proof of productivity of the additional lands or 13
14 reservoirs shall be determined from electric log analyses and other reservoir 14
15 data in the same manner and by the same procedures used to determine the tract 15
16 percentages of participation shown on Exhibit "C", which represent methods and 16
17 standards generally recognized and accepted in the oil industry. 17

18 In the event of expansion, appropriate adjustment shall be made in 18
19 allocation of Unitized Substances by revising Exhibit "C" and establishing the 19
20 effective date of such revision as agreed to by the Working Interest Owners and 20
21 approved by the Director and the Board. Nevertheless, the adjusted Acre-Feet 21
22 assigned to each committed tract shall not be reduced. 22

23 2.3 EXHIBITS. Attached hereto are the following Exhibits which con- 23
24 stitute a part of this agreement: Exhibit "A", a map which shows in addition to 24
25 the boundary of the Unit Area, the tract boundaries and identity of the tracts 25
26 and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B", 26
27 a schedule showing to the extent known to the Unit Operator, the acreage, per- 27
28 centage, and kind of ownership of oil and gas interests in all the land within 28
29 the Unit Area. Exhibit "C", a schedule which shows the number of committed acres 29
30 in each tract, adjusted acre-feet in each tract, and the percentages of partici- 30
31 pation in Unitized Substances for each tract. 31

32 Nothing herein or in said map or schedules shall be construed as a rep- 32
33 resentation by any party hereto as to the ownership of any interest other than such 33
34 interest or interests as are shown in said map or schedule as being owned by such 34

1 party.

2 Exhibits "A", "B" and "C" shall be revised by the Unit Operator
3 whenever changes in the Unit Area or Unitized Reservoirs render such revision
4 necessary, or upon request by the Supervisor, or the Board, and not less than
5 four (4) copies of the revised Exhibits shall be filed with the Supervisor and
6 such number of copies shall be filed with the Board as it may request.

7 ARTICLE 3

8 UNITIZED LAND AND UNITIZED SUBSTANCES

9 3.1 UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to
10 this agreement shall constitute land referred to herein as "Unitized Land" or
11 "land subject to this agreement". All oil and gas in the D-2 Sand Reservoirs of
12 the Unitized Land are unitized under the terms of this agreement and herein are
13 called "Unitized Substances". Said D-2 Sand Reservoirs are represented by the
14 electric log intervals in the following wells as indicated below:

<u>Designation of D-2 Sand Reservoirs</u>	<u>Lease OCS 0263 Well Numbers</u>	<u>Electric Log Depth Interval (MD)</u>	
<u>A</u>	58	10,308'	to 10,398'
<u>B</u>	20	10,014'	to 10,058'
<u>C</u>	24	10,457'	to 10,557'

20 ARTICLE 4

21 UNIT OPERATOR

22 4.1 UNIT OPERATOR. Gulf Oil Corporation is hereby designated as
23 Unit Operator and by signature hereto as Unit Operator agrees and consents to
24 accept the duties and obligations of Unit Operator for the development, operation
25 and production of Unitized Substances as herein provided. Whenever reference is
26 made herein to Unit Operator, such reference shall mean the Unit Operator acting
27 in that capacity and not as owner of Unitized Substances and the term "Working
28 Interest Owner" when used herein shall include or refer to Unit Operator as the
29 owner of a working interest when such an interest is owned by it. A successor
30 Unit Operator may be designated by the owners of the working interest in the
31 Unitized Substances and four (4) executed copies of the Designation of Successor
32 Unit Operator shall be filed with the Supervisor and such notice shall be given
33 to the Board as it may direct. Such designation shall not become effective until
34 (a) successor Unit Operator so designated has accepted in writing the duties and

1 responsibilities of Unit Operator, and (b) the designation shall have been filed ✓ 1
2 with the Supervisor and such notice given to the Board. 2

3 4.2 RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 3
4 specifically provided herein, the exclusive right, privileges and duty of exer- 4
5 cising any and all rights of the parties hereto which are necessary or convenient 5
6 for prospecting for, producing, storing, allocating and distributing the Unitized 6
7 Substances are hereby delegated to and shall be exercised by the Unit Operator as ✓ 7
8 herein provided. Acceptable evidence of title to said rights shall be deposited with 8
9 said Unit Operator and, together with this agreement, shall constitute and define 9
10 the rights, privileges and obligations of Unit Operator. Nothing herein, however, 10
11 shall be construed to transfer title to any land or to any lease or operating 11
12 agreement, it being understood that under this agreement the Unit Operator, in its 12
13 capacity of Unit Operator shall exercise the rights of possession and use vested 13
14 in the parties hereto only for the purposes herein specified. 14

15 ARTICLE 5 15

16 WORKING INTEREST OWNERS PARTICIPATION AND COSTS 16

17 5.1 WORKING INTEREST OWNERS PARTICIPATION. The unit operating agreement, 17
18 consistent with ownerships shown on Exhibit "B" attached hereto, provides the manner 18
19 in which the Working Interest Owners shall be entitled to receive their respective 19
20 proportionate share of the benefits accruing under the leases covered hereby; 20
21 however, no such unit operating agreement shall be deemed either to modify any of 21
22 the terms and conditions of this unit agreement or to relieve the Unit Operator ✓ 22
23 of any right or obligation established under this unit agreement, and in case of 23
24 any inconsistency or conflict between the unit agreement and the unit operating 24
25 agreement, this unit agreement shall prevail. Four (4) copies of the unit operat- 25
26 ing agreement shall be filed with the Supervisor, prior to approval of this unit 26
27 agreement, and such number of copies shall be furnished to the Board, as it may 27
28 request. 28

29 5.2 UNIT COST. The cost and expenses incurred by Unit Operator in 29
30 conducting unit operations hereunder shall be paid and apportioned among and borne 30
31 by the Owners of Working Interests, all in accordance with the presently existing ✓ 31
32 operating agreement, as amended, entered into by and between the Unit Operator and 32
33 the Owners of Working Interests, separately or collectively, and such operating 33
34 agreement shall be referred to hereinafter as unit operating agreement. 34

ARTICLE 6

PLAN OF DEVELOPMENT AND OPERATION

6.1 PLAN OF DEVELOPMENT AND OPERATION. It is contemplated that additional wells will be drilled for production, and for injection, and that some wells will be converted for injection services. The Unit Operator concurrently herewith shall submit for the approval of the Supervisor and the Board an acceptable plan of operation of Unitized Land which, when approved by the Supervisor and the Board, shall constitute the drilling, development and operating obligations (including appropriate institution and conduct of pressure maintenance and secondary recovery operations) of the Unit Operator under this agreement for the period specified therein. All plans of operation filed by the Unit Operator shall be as complete and adequate as necessary for timely development, prudent operation, and proper conservation of oil and gas resources of the Unit Area. Said plans shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; (b) to the extent practical, specify the operating practices regarded as necessary and advisable for proper operation and conservation of natural resources, and (c) specify the wells to be used for injection and the injection needed. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interest of all parties to this agreement. Reasonable diligence shall be exercised in complying with the specifications of the approved plan of operation.

ARTICLE 7

DETERMINATION OF PARTICIPATION

7.1 DETERMINATION OF PARTICIPATION. The tract participation shown on Exhibit "C", if all tracts are committed, represents the portion of Unitized Substances which will be allocated to each tract based on calculations included in the Geological and Engineering Report for the South Timbalier Block 21 Field, D-2 Sand Reservoirs.

The proposed Unit Area is divided by faulting into reservoirs which may or may not be in communication. Maps were constructed for each of the reservoirs of the D-2 Sand showing the net acre-feet of oil and the net acre-feet of gas. The value of the recoverable hydrocarbons from an acre-foot of the gas cap of Reservoir A was related to the value of the recoverable hydrocarbons from an acre-foot in the oil zone of Reservoir A. The value of the recoverable hydro-

1 carbons from an acre-foot in the oil zone of Reservoir A was established as 1
2 unity. The values of the recoverable hydrocarbons from an acre-foot of the oil 2
3 and gas zones of Reservoir B and from an acre-foot of the oil zone of Reservoir C 3
4 (there is no known gas cap in Reservoir C) were thus related to the value of the 4
5 recoverable hydrocarbons from an acre-foot of the oil zone in Reservoir A. 5

6 7.2 PARTICIPATION BY TRACTS. The percentage of participation for 6
7 Tract No. 1 (Louisiana State Lease No. 1423, Zone 1) was determined by dividing 7
8 the sum of the adjusted acre-feet in said reservoirs underlying the tract by the 8
9 sum of the total adjusted acre-feet underlying the Unit Area and multiplying the 9
10 result by 100. The percentage of participation for Tract No. 2 (Lease OCS 0263, 10
11 Zone 2) was determined in the same manner, or as expressed in the following listed 11
12 formulas: 12

13 Percentage of Participation for Tract No. 1 = 13

$$14 \frac{\text{Adj Ac Ft A}^* \div \text{Adj Ac Ft B}^* \div \text{Adj Ac Ft C}^*}{\text{Total Adj Ac Ft A} \div \text{Total Adj Ac Ft B} \div \text{Total Adj Ac Ft C}} \times 100 \quad 14$$

15 15
16 * Adjusted acre-feet in D-2 Sand Reservoirs A, B and C underlying 16
17 Louisiana State Lease 1423. 17

18 Percentage of Participation for Tract No. 2 = 18

$$19 \frac{\text{Adj Ac Ft A}^{**} \div \text{Adj Ac Ft B}^{**} \div \text{Adj Ac Ft C}^{**}}{\text{Total Adj Ac Ft A} \div \text{Total Adj Ac Ft B} \div \text{Total Adj Ac Ft C}} \times 100 \quad 19$$

20 20
21 ** Adjusted acre-feet in D-2 Sand Reservoirs A, B and C underlying 21
22 Lease OCS 0263. 22

23 Each party hereto shall own and be entitled to receive its respective portion of 23
24 Unitized Substances or the proceeds derived therefrom based on the percentage of 24
25 participation by tracts as shown on Exhibit "C", regardless of the location of 25
26 any well with respect to a particular lease or tract in the Unit Area. Said 26
27 Exhibit "C" is based upon a presumed 100 percent commitment. Accordingly, in 27
28 event the unit agreement may become effective with less than 100 percent commit- 28
29 ment, Unit Operator shall, as soon as practicable, revise said Exhibit "C" to 29
30 conform to the commitment status. Such revised Exhibit "C" shall be effective 30
31 as of the effective date of this unit agreement. 31

32 No tract committed to this agreement shall be subsequently excluded 32
33 from participation hereunder on account of depletion of Unitized Substances and 33
34 nothing herein contained shall be construed as requiring any retroactive adjustment 34

1 for production obtained prior to the effective date of Exhibit "C" or any ✓
2 revision thereof.

3 For the purpose of determining any benefits accruing under this 3
4 agreement commencing as of the effective date hereof, each tract committed hereto 4
5 shall have allocated to it a proportion, equal to its tract participation as set 5
6 out in Exhibit "C" (as may be appropriately revised) of all Unitized Substances 6
7 produced from the Unit Area except any part thereof used in conformity with 7
8 good operating practices within the Unitized Land for drilling, operating, camp 8
9 and other production or development purposes, for pressure maintenance or secondary 9
10 recovery operations, or unavoidably lost, or gas produced from the Unitized Sand ✓ 10
11 or Sands and delivered into the field gas system where equivalent quantities of 11
12 gas are withdrawn by Operator from said system for use on or for injection into 12
13 said Unitized Sand or Sands, it being considered that for purposes of this agree- 13
14 ment the gas withdrawn from said system shall be considered to be the same gas 14
15 which was originally produced from the Unitized Sand or Sands and delivered into 15
16 said system. The amount of Unitized Substances allocated to each tract shall 16
17 be deemed to be produced from such tract irrespective of the location of the wells 17
18 from which the same is produced and regardless of depletion of wells or tracts. 18

19 7.3 CORRECTING ERRORS. It is hereby agreed by all parties to this 19
20 agreement that Unit Operator is empowered to correct any mathematical or clerical 20
21 errors which may exist in the pertinent Exhibits to this agreement; provided, 21
22 however, that correction of any error other than mathematical or clerical shall be 22
23 made by Unit Operator only after first having obtained approval of Working 23
24 Interest Owners, the Supervisor and the Board. Any such correction of Exhibits, ✓ 24
25 if made after this agreement becomes effective, shall be effective at 7:00 A.M. 25
26 on the first day of the calendar month next following the filing of the required 26
27 number of copies of the Exhibit relating thereto with the Supervisor and the Board. 27
28 It is agreed that if any sums due a party hereto are improperly paid or credited 28
29 to another party as a result of error or mechanical miscalculations, Unit Operator 29
30 shall be authorized to make an adjustment of any over or under payment by recoup- 30
31 ment and credit out of future production, and Unit Operator shall not be liable 31
32 for any loss sustained by such party on account of such error or mechanical 32
33 miscalculations. 33
34 34

ARTICLE 8

ROYALTIES

8.1 METHOD OF MAKING ROYALTY PAYMENTS. Working Interest Owners take cognizance of the fact that the Federal lease included in the Unit Area has been validated under Section 6 of the Outer Continental Shelf Lands Act and that leases in the Unit Area contain acreage in Zone 1 and Zone 2. Royalty payable hereunder to the United States and the State of Louisiana shall be paid in accordance with the provisions of this agreement as authorized by the Interim Agreement dated October 12, 1956, as amended by agreement effective December 11, 1964.

8.2 ROYALTY SETTLEMENT. The United States and the State of Louisiana, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that subject to the provisions of this agreement, nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this agreement is introduced into the Unitized Land for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan of operation first approved by the Supervisor and the Board, a like amount of gas (with appropriate deduction for loss or depletion from any cause) may be withdrawn from the Unitized Land, royalty free as to dry gas, but not royalty free as to the products extracted therefrom, provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as otherwise may be consented to by the Supervisor and the Board as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

Royalty due the United States shall be computed as provided in the

1 operating regulations and paid in value or delivered in kind as to all Unitized 1
2 Substances on the basis of the amounts thereof allocated to unitized Federal land 2
3 as provided herein at the rates specified in the respective Federal leases, or 3
4 at such lower rate or rates as may be authorized by law or regulations. 4

5 ARTICLE 9 5

6 RELINQUISHMENT OF LEASES 6

7 9.1 RELINQUISHMENT OF LEASES. Pursuant to the provisions of the 7
8 leases and 43 CFR 3386.1, a lessee of record of any Federal lease shall have the 8
9 right to relinquish any or all leases committed hereto, in whole or in part; 9
10 provided, however, that no relinquishment shall be made without the prior approval 10
11 of the Director, and likewise pursuant to the provisions under Title 30:129, 11
12 Louisiana Statutes of 1950, as amended, a lessee of record of any State lease 12
13 shall have the right to relinquish any or all leases committed hereto, in whole 13
14 or in part; provided, however, that no relinquishment shall be made without the 14
15 prior approval of the Board. 15

16 ARTICLE 10 16

17 CONSERVATION 17

18 10.1 CONSERVATION. Operations hereunder and production of Unitized 18
19 Substances shall be conducted to provide for the most economical and efficient 19
20 recovery of said substances without waste, as defined by or pursuant to State or 20
21 Federal law or regulations. 21

22 ARTICLE 11 22

23 DRAINAGE 23

24 11.1 DRAINAGE. Working Interest Owners shall take appropriate and 24
25 adequate measures to prevent drainage of Unitized Substances from the Unitized 25
26 Land by wells on land not subject to this agreement. 26

27 ARTICLE 12 27

28 LEASES AND CONTRACTS CONFORMED AND EXTENDED 28

29 12.1 LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, con- 29
30 ditions and provisions of all leases, subleases, and other contracts relating to 30
31 exploration, drilling, development, or operations for Unitized Substances committed 31
32 to this agreement are hereby expressly modified and amended to the extent necessary 32
33 to make the same conform to the provisions hereof, but otherwise to remain in full 33
34 force and effect; and the parties hereto hereby consent that the Director by 34

1 approval hereof, hereby establishes, alters, changes or revokes the drilling, 1
2 producing, rental, minimum royalty and royalty requirements of the Federal leases, 2
3 committed hereto and the regulations in respect thereto to conform said require- 3
4 ments to the provisions of this agreement. Further, both the Director and Board 4
5 by approval hereof agree that the leases and agreements referred to above and 5
6 the special documents identified below shall be modified in accordance with the 6
7 following: 7

8 (a) Drilling and producing operations performed hereunder upon 8
9 any tract of Unitized Land will be accepted and deemed to be performed upon and 9
10 for the benefit of each and every tract of Unitized Land, and no lease shall 10
11 be deemed to expire by reason of failure to drill or produce wells situated on 11
12 the tracts therein embraced; and 12

13 (b) Suspension of drilling or producing operations on all Unitized 13
14 Lands pursuant to direction or consent of the Director, or his duly authorized 14
15 representative and the Board, shall be deemed to constitute such suspension 15
16 pursuant to such direction or consent as to each and every tract of Unitized 16
17 Land; and 17

18 (c) Any lease committed hereto shall continue in force beyond the 18
19 term so provided therein, or as extended by law, for the life of this agreement. 19
20 Upon termination of this agreement, the leases covered hereby may thereafter 20
21 be maintained and continued in full force and effect in accordance with the 21
22 original terms, provisions and conditions of the lease or leases and amendments 22
23 thereto. However, nothing herein will relieve Lessees from any obligations of 23
24 reasonable development of acreage not included in this Unit Agreement; and 24

25 (d) On December 4, 1956, in regard to Lease OCS 0263, Gulf Refining 25
26 Company (predecessor in title to Gulf Oil Corporation) and Phillips Petroleum 26
27 Company executed an instrument designated as "Lessees Consent and Waiver" and 27
28 on December 6, 1956, the State Mineral Board, on behalf of the State of Louisiana, 28
29 concurred in by the Attorney General of the State of Louisiana, Gulf Refining 29
30 Company and Phillips Petroleum Company executed an agreement as required by the 30
31 terms of the said Interim Agreement. It is understood and agreed that the 31
32 terms and conditions of these documents are modified and amended only to the 32
33 extent that they may conflict with the provisions hereof, and all of their terms 33
34 and provisions with regard to the payment, impounding, or receipt of any bonuses, 34

1 rentals, royalties, and other considerations due and payable under the terms of 1
2 said leases, and with regard to the payment, impounding, or receipt of taxes, 2
3 licenses, and fees, are, and the same shall continue, in full force and effect. 3

4 ARTICLE 13 4

5 COVENANTS 5

6 13.1 COVENANTS RUN WITH LAND. The covenants herein shall be construed 6
7 to be covenants running with the land with respect to the interests of the parties 7
8 hereto and their successors in interest until this agreement terminates and any 8
9 grant, transfer or conveyance of interest in land or leases subject hereto shall 9
10 be and hereby is conditioned upon the assumption of all privileges and obligations 10
11 hereunder by the respective parties hereto or their successors in interest. No 11
12 assignment or transfer of working interest, royalty or other interest subject 12
13 hereto shall be binding upon Unit Operator until the first day of the calendar 13
14 month after Unit Operator is furnished with the original, photostatic or certified 14
15 copy of the subject instrument of transfer. 15

16 ARTICLE 14 16

17 EFFECTIVE DATE AND TERM 17

18 14.1 EFFECTIVE DATE AND TERM. This agreement shall become effective 18
19 at 7:00 A.M. on the first day of the calendar month following the date the Unit 19
20 Agreement is approved by both the Director and the Board. The agreement shall 20
21 continue in full force and effect so long as Unitized Substances can be produced 21
22 in paying quantities, and as long thereafter as reworking or other operations, 22
23 including secondary recovery operations, are diligently prosecuted without 23
24 cessation of more than ninety (90) consecutive days and so long thereafter 24
25 as Unitized Substances can be produced as aforesaid. 25

26 With the approval of the Director and the Board, this agreement may 26
27 be terminated at any time by the Working Interest Owners of 90% of the Unitized 27
28 Substances. An application for termination under this section shall be accompanied 28
29 by evidence of the giving of at least thirty (30) days' notice of the proposed 29
30 termination to all parties having an interest in this agreement. Notice of an 30
31 approved termination hereunder shall be given by Unit Operator to all parties 31
32 having an interest in this agreement. 32

33 14.2 EFFECT OF TERMINATION. Upon termination of this agreement, 33
34 unit operations shall cease, and thereafter the parties hereto shall be governed 34

1 by the provisions of the leases and/or other applicable instruments. ✓ 1

2 14.3 SALVAGING RIGHTS ON TERMINATION. If not otherwise granted by 2
3 the leases or the instruments affecting the Unit Area, Royalty Owners hereby ✓ 3
4 grant Working Interest Owners a period of one year after the effective date 4
5 of termination of this agreement within which to salvage and remove Unit property. 5

6 ARTICLE 15 6

7 NO WAIVER OF CERTAIN RIGHTS 7

8 15.1 NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 8
9 shall be construed as a waiver by any party hereto of the right to assert any 9
10 legal or constitutional right or defense as to the validity or invalidity of any ✓ 10
11 law of the State wherein said Unitized Lands are located, or of the United States, 11
12 or regulations issued thereunder in any way affecting such party, or as a waiver 12
13 by any such party of any right beyond his or its authority to waive. 13

14 ARTICLE 16 14

15 UNAVOIDABLE DELAY 15

16 16.1 UNAVOIDABLE DELAY. All obligations under this agreement re- 16
17 quiring the Unit Operator to commence or continue drilling or to operate on or 17
18 produce Unitized Substances from any of the lands covered by this agreement shall 18
19 be suspended while, but only so long as, Unit Operator, despite the exercise of ✓ 19
20 due care and diligence, is prevented from complying with such obligations, in 20
21 whole or in part, by strikes, acts of God, Federal, State or other applicable 21
22 law, Federal or other authorized governmental agencies, unavoidable accidents, 22
23 uncontrollable delays in transportation, inability to obtain necessary materials 23
24 in open market, or other matters beyond the reasonable control of the Unit Operator 24
25 whether similar to matters herein enumerated or not. 25

26 ARTICLE 17 26

27 NON-DISCRIMINATION 27

28 17.1 NON-DISCRIMINATION. In connection with the performance of work 28
29 under this agreement, Unit Operator agrees to comply with all of the provisions ✓ 29
30 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 FR 12319), which 30
31 provisions are hereby incorporated by reference in this agreement. 31
32
33
34

1 ARTICLE 18 1

2 CHANGE OF LEASE BOUNDARIES WITHIN UNIT AREA 2

3 18.1 CHANGE OF LEASE BOUNDARIES WITHIN UNIT AREA. Neither this agree- 3
4 ment nor any data, maps, or Exhibits considered in connection herewith (whether 4
5 attached hereto or not) shall ever be regarded in any litigation or dispute as 5
6 having determined the actual location of any boundary or the true ownership of 6
7 the respective leases, insofar as the interest of any Royalty Owner therein may 7
8 be concerned, nor shall same be permitted to serve as the basis of estoppel against 8
9 any Royalty Owner hereto or to prevent any such owner from asserting its rights, ✓ 9
10 claims or demands in any such dispute. This provision of this agreement is not 10
11 intended to constitute (nor shall same be construed as constituting) recognition 11
12 by any party hereto of a claim by any other party (whether or not signatory 12
13 hereto) to title or boundary. In the event of a final determination by agreement, 13
14 litigation or otherwise, of a change in location of a boundary or boundaries of 14
15 any areas covered by this Unit Agreement, such changes and adjustments necessitated 15
16 thereby shall be made in accordance with said boundary or boundaries determination. 16

17 ARTICLE 19 17

18 COUNTERPARTS 18

19 19.1 COUNTERPARTS. This agreement may be executed in any number of 19
20 counterparts no one of which needs to be executed by all parties or may be 20
21 ratified or consented to by separate instrument in writing specifically referring 21
22 hereto and shall be binding upon all those parties who have executed such a ✓ 22
23 counterpart, ratification, or consent hereto with the same force and effect as if 23
24 all such parties had signed the same document and regardless of whether or not 24
25 it is executed by all other parties owning or claiming an interest in the lands 25
26 within the above described Unit Area. 26

27 ARTICLE 20 27

28 TAXES 28

29 20.1 TAXES. Each Working Interest Owner shall pay or cause to be 29
30 paid for its account and the account of its Royalty Owners all production, 30
31 severance, gathering and other valid taxes imposed upon or in respect to the ✓ 31
32 production or handling of its share of Unitized Substances produced, gathered 32
33 and sold from the Unitized Area after the effective date of this agreement. The 33
34 Working Interest Owner of each tract shall charge the proper proportion of said 34

1 taxes to the Royalty Owners having interests in said Unitized Substances, and 1
2 may currently retain and deduct sufficient of the Unitized Substances or derivative 2
3 products, or net proceeds thereof, from the allocated share of each Royalty Owner ✓ 3
4 to secure reimbursement for the taxes so paid. No such taxes shall be charged 4
5 to the United States or to any lessor who has a contract with his lessee which 5
6 required the lessee to pay such taxes. 6

7 ARTICLE 21 7

8 EASEMENTS OR USE OF SURFACE 8

9 21.1 EASEMENTS OR USE OF SURFACE. The parties hereto, to the extent 9
10 of their rights and interests, hereby grant to the Unit Operator the right to 10
11 use as much of the surface within the Unit Area as may reasonably be necessary ✓ 11
12 for unit operations. Unit Operator shall have free use of water and salt water, 12
13 regardless of whether or not the same is obtained from the Unitized Land or 13
14 from other formation underlying the Unit Area, for all operations hereunder, 14
15 including, but not limited to, injection for pressure maintenance and secondary 15
16 recovery purposes. 16

17 21.2 PERSONAL PROPERTY EXCEPTED. Working Interest Owners have 17
18 individually heretofore placed in or on their lease and in or on lands or area 18
19 affected by this agreement various items of personal property which are lease and 19
20 well equipment, as to all of which Working Interest Owners have the right, as 20
21 provided in the respective leases, to remove such property from the premises and 21
22 all of which installation were made with the intention and understanding that ✓ 22
23 all of the same would be and remain personal property and that no part thereof 23
24 would be or become a part of the realty. Working Interest Owners except from 24
25 the terms and provisions of this agreement, and hereby sever from said lands or 25
26 area, for all purposes, all such lease and well equipment which may be or here- 26
27 after become located in or on the lands and area or in the wells thereon. To 27
28 conform their respective investments in such equipment, Working Interest Owners 28
29 have entered into an operating agreement with each other with respect thereto. 29

30 ARTICLE 22 30

31 LIABILITIES OF PARTIES 31

32 22.1 RELATIONSHIP OF PARTIES. The duties, obligations and liabilities 32
33 of the parties hereto are intended to be several and not joint or collective. ✓ 33
34 This agreement is not intended to create, and shall not be construed as creating 34

1 an association or trust, or to impose a partnership duty, obligation or liability 1
2 with regard to any one or more of the parties hereto. Each party hereto shall 2
3 be individually responsible for its own obligations as herein provided. 3

4 Notwithstanding any provisions herein that the rights and liabilities 4
5 of the parties hereto are several and not joint or collective, or that this 5
6 agreement and operations hereunder shall not constitute a partnership, if for 6
7 Federal or Louisiana income tax purposes this agreement and operation hereunder 7
8 are regarded as a partnership, then each party hereto makes the following election. 8
9 For Federal income tax purposes, each party hereto elects to be excluded from the 9
10 application of all provisions of Subchapter K, Chapter 1, Subtitle A, of the 10
11 Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said 11
12 Code and the regulations promulgated thereunder. For Louisiana income tax purposes, 12
13 each party hereto elects to be excluded from the application of all provisions of 13
14 Subpart D of Part II, Chapter 1, Title 47, Louisiana Revised Statutes of 1950, as 14
15 amended, as permitted and authorized by Section 220.3 of said Revised Statutes 15
16 and the regulations promulgated thereunder. 16

17 Unit Operator is authorized and directed to execute on behalf of each 17
18 Working Interest Party hereto any evidence of this election required by the 18
19 Federal Internal Revenue Service or Collector of Revenue of the State of Louisiana 19
20 including specifically, but not by way of limitation, returns, statements, and data 20
21 required by Federal Regulation 1.761-1(a) and applicable regulations promulgated 21
22 by the Collector of Revenue of the State of Louisiana. Should there be any 22
23 requirement that each party hereto further evidence this election, each party 23
24 hereto agrees to execute such documents and furnish such other evidence as may 24
25 be required by the Federal Internal Revenue Service or Collector of Revenue of 25
26 the State of Louisiana. Each party hereto further agrees not to give any notice 26
27 or take any other action inconsistent with the election made hereby. In making 27
28 this election, each party hereto states that income derived by it from operations 28
29 under this agreement can be adequately determined without computation of partner- 29
30 ship taxable income. 30

31 22.2 NO SHARING OF MARKET. This agreement as to the Working Interest 31
32 Owners is not intended to provide and shall not be construed to provide, directly 32
33 or indirectly, for any cooperative refining, joint sale or marketing of Unitized 33
34 Substances. 34

ARTICLE 23

MISCELLANEOUS

23.1 APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Mineral Board of Louisiana, or any other legally constituted authority; provided, however, that any interested party to this agreement shall also have the right at its own expense to be heard in any such proceeding.

23.2 NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid, registered or certified mail, or telegram, addressed to such party at his respective address set forth in connection with the signatures hereto, or to the ratification or consent hereof, or to such other address as any such party may have furnished in writing to the party sending the notice, demand or statement.

23.3 GENDER. Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

23.4 HEADINGS. The Table of Contents contained in this agreement and the title headings of the respective Articles, Sections and Subsections of this agreement are inserted for convenience only, and shall not be deemed to be a part of this agreement to the extent of being considered in construing the terms hereof.

ARTICLE 24

SUCCESSORS AND ASSIGNS

24.1 SUCCESSORS AND ASSIGNS. This agreement shall be binding upon the lessees, their successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement upon the dates indicated by their respective signatures.

WITNESSES:

UNIT OPERATOR AND WORKING INTEREST OWNER:

GULF OIL CORPORATION

By B. A. Payne Attorney-in-Fact

Address: Saratoga Building

P. O. Box 61590

New Orleans, Louisiana 70160

Date: July 7, 1966

Jack H. Miller
JACK H. MILLER

Harlin Messer
HARLIN MESSER

POA in file

SCANNED 227

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Attest
L. L. Selous
ASST. SECRETARY
July 19, 1966

WORKING INTEREST OWNER: ✓
PHILLIPS PETROLEUM COMPANY

By *C. L. Jett*
VICE PRESIDENT

ASH

Address: BARTLESVILLE, OKLAHOMA

Date: 7-19-66

ROYALTY OWNER:
STATE MINERAL BOARD ON BEHALF OF
THE STATE OF LOUISIANA

By _____
CHAIRMAN

Address: _____

Date: _____

CONCURRED IN BY:

ATTORNEY GENERAL
OF THE STATE OF LOUISIANA

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WORKING INTEREST OWNER:

PHILLIPS PETROLEUM COMPANY

By _____

Address: _____

Date: _____

ROYALTY OWNER:

STATE MINERAL BOARD ON BEHALF OF
THE STATE OF LOUISIANA ✓

Margerie Landry Lucas
MARGERIE LANDRY LUCAS

Marianne Berthelot
MARIANNE BERTHELOT

By *L. J. Boncompagni*
~~SECRETARY~~ SECRETARY

Address: _____

Date: _____

CONCURRED IN BY:

Jack B. Bremillion
ATTORNEY GENERAL
OF THE STATE OF LOUISIANA ✓

2/1/67

STATE OF LOUISIANA X

PARISH OF ORLEANS X

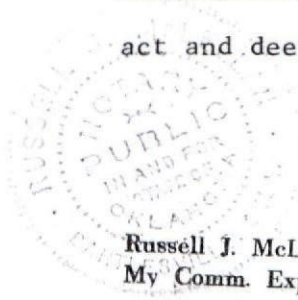
On this 7th day of July, 1966, before me appeared R. A. Payne, to me personally known, who, being by me duly sworn, did say that he is the Attorney-in-Fact of GULF OIL CORPORATION and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors and said R. A. Payne acknowledged said instrument to be the free act and deed of said corporation.

Ernie A. Stett
Notary Public

STATE OF OKLAHOMA X

COUNTY OF WASHINGTON X

On this 19th day of July, 1966, before me appeared C. C. Tate, to me personally known, who, being by me duly sworn, did say that he is the VICE PRESIDENT of PHILLIPS PETROLEUM COMPANY and that the foregoing instrument was signed in behalf of said corporation by authority of its Board of Directors and said VICE PRESIDENT acknowledged said instrument to be the free act and deed of said corporation.



Russell J. McLellan
Notary Public

SCANNED
2/3/67

EXHIBIT "B" ✓

ATTACHED TO AND MADE A PART OF THE SOUTH TIMBALIER BLOCK 21
D-2 SAND RESERVOIRS UNIT, OFFSHORE, LOUISIANA ✓

Description of Leases

Tract No. 1 ✓

Lessor: State of Louisiana ✓
Lessee of Record: Gulf Oil Corporation and Phillips Petroleum Company ✓
Serial No. of Lease: Louisiana State Lease 1423 ✓
Date of Lease: May 10, 1948 ✓

Description of Acreage Committed:

A certain tract or parcel of submerged lands containing 160.185 acres, ✓
being part of Louisiana State Lease 1423 as described and shown on
Exhibit "A" hereof.

Number of Acres: 160.185 ✓

Working Interest and Percentage:

Gulf Oil Corporation 50% ✓

Phillips Petroleum Company 50% ✓

Basic Royalty: . 12.5% - State of Louisiana ✓

EXHIBIT "B" (CONT'D)

Tract No. 2 ✓

Lessor: United States of America ✓
Department of the Interior ✓
Bureau of Land Management ✓

Lessee of Record: Gulf Oil Corporation and Phillips Petroleum Company ✓

Serial No. of Lease: OCS 0263 ✓

Date of Lease: May 10, 1948 ✓

Validated by Bureau of Land Management: December 5, 1956 ✓

Expiration Date of Primary Term: HBP ✓

Description of Acreage Committed:

A certain tract or parcel of submerged lands containing 728.798 acres, ✓
being part of Lease OCS 0263, as described and shown on Exhibit "A" hereof.

Number of Acres: 728.798 ✓

Working Interest and Percentage:

Gulf Oil Corporation 50% ✓

Phillips Petroleum Company 50% ✓

Basic Royalty: 12.5% - United States of America* ✓

* Plus extra royalty equal to the Louisiana Severance Tax as provided under ✓
Section 6(a)(9) of Outer Continental Shelf Lands Act.

W/Gulf's 7/27/81

TABLE I (REVISED)

SOUTH TIMBALIER BLOCK 21 FIELD

OFFSHORE, LOUISIANA

BEST AVAILABLE COPY

D-2 SAND UNIT

Same as
June 1, 1981 source
Final

PERCENTAGE OF PARTICIPATION

BASED ON JUNE 16, 1975 DECREE

	FEDERAL				STATE				Unit Total
	A	B	C	Total	A	B	C	Total	
Gas AF	8,543	371	-0-		30	31	-0-		
Equivalent Gas AF Factor	.2148	.1837	-0-		.2148	.1837	-0-		
Equivalent Gas AF	1,835	68	-0-		7	6	-0-		
Undepleted Oil AF	14,951	786	5,755		-0-	-0-	98		
Equivalent Oil AF Factor	1.0000	.8381	.9570		1.0000	.8381	.9570		
Equivalent Oil AF	14,951	659	5,508		-0-	-0-	94		
Equivalent Gas AF (above)	<u>1,835</u>	<u>68</u>	<u>-0-</u>		<u>7</u>	<u>6</u>	<u>-0-</u>		
Total Equivalent Oil AF	16,786	727	5,508	23,021	7	6	94	107	23,128

Participation Percent

(% Equivalent Oil AF)

$$\text{Federal} = \frac{23,021}{23,128} = 99.5374\% \quad \text{State} = \frac{107}{23,128} = 00.4626\%$$

12.1109% Increase

12.1109% Reduction

7/17/81

SCANNED 17

EXHIBIT "C" ✓

Recapitulation ✓

<u>Tract Number</u>	<u>Number of Acres Committed</u>	<u>Number of Adjusted Acre Feet</u>	<u>Percentage of Participation In Unitized Substances</u>
1 ✓	160.185 ✓	2,908 ✓	12.5735% ✓
2 ✓	728.798 ✓	20,220 ✓	87.4265% ✓
Totals	888.983 ✓	23,128 ✓	100.0000% ✓

SEE: REVISED Exhibit "C" - letter dtd 7/27/81

SCANNED