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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, I do hereby:

- A. Approve the attached Agreement for the development and operation of the Block 28 Ship Shoal Unit Area, Gulf of Mexico.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached Agreement is in the interest of conservation.

Dated JUN 28 1956

Arthur J. Baker  
Acting Director  
United States Geological Survey

14-08-001-2942

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BLOCK 28 SHIP SHOAL UNIT AGREEMENT

- GULF OF MEXICO -

14-08-001-2942

THIS AGREEMENT entered into as of the 25th day of May, 1956, by and between the parties subscribing, ratifying or consenting hereto and herein referred to as "the parties hereto".

W I T N E S S E T H

WHEREAS, the parties hereto, pursuant to the provisions of the Outer Continental Shelf Lands Act of August 7, 1953, 67 Stat. 462, hereinafter referred to as the "Act", are the owners of the working interest or other interest in oil and gas leases within the unit area subject to this agreement and embracing lands in the Outer Continental Shelf, which lands are hereinafter more particularly described; and

WHEREAS, 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 the leases, with the consent of the Secretary of the Interior, for the purpose of exploration, development and operation of the mineral leases for the production of oil and gas covered thereby under the provisions of Section 5 (a) of the Act.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement all their right, title and interest now held or hereafter acquired in and to oil and gas within the hereinafter defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS:

The Act and all valid pertinent regulations, are accepted and made a part of this agreement, insofar as same are applicable hereto.

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2. UNIT AREA:

The following described land as shown on the United States Official Leasing Map for the Ship Shoal Area shall constitute the unit area: Blocks 27, 28, 29, 34, 35 and 36 Ship Shoal Area, containing 30,000 acres.

The unit area shall be contracted to exclude any unleased land if and when required by the Director of the Geological Survey, hereinafter referred to as "Director".

Subject to the approval of the Director, the above described unit area shall when practicable be expanded by Unit Operator to include therein any additional land or shall be contracted by Unit Operator to exclude lands not within any participating area whenever either expansion or contraction is necessary or advisable to conform with the purposes of this agreement.

Exhibit "A" attached hereto, and made a part hereof, is a map showing the unit area and the boundaries, identity of the blocks and mineral leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto, and made a part hereof, is a schedule showing, to the extent known to the Unit Operator, the acreage, percentage and kind of ownership of oil and gas interest in all land in the unit area. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary and five copies shall be filed with the Oil and Gas Supervisor of the U. S. Geological Survey, hereinafter called "Supervisor".

3. UNITIZED LAND AND SUBSTANCES:

All land committed to this agreement by the parties hereto shall constitute land referred to herein as "unitized land" or "unitized acreage". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR:

Kerr-McGee Oil Industries, Inc. is hereby designated as Unit Operator

and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include the Unit Operator as the owner of a working interest when such an interest is owned by it. If a successor Unit Operator is selected as provided in the unit operating agreement, five executed copies of the designation of successor Unit Operator shall be filed with the Supervisor. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director.

5. PARTICIPATION BETWEEN WORKING INTEREST OWNERS:

All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of the working interests, all in accordance with the Unit Operating Agreement entered into by such owners, three true copies of which shall be filed with the Supervisor concurrently with the filing of the unit agreement for approval. Such Unit Operating Agreement shall also provide how production shall be apportioned among owners of working interests. Substantial amendments thereto, including participation of other parties joining this unit agreement, subsequent to the approval hereof, may be adopted and three true copies of any such amendment shall be filed with the Supervisor within 30 days of the effective date thereof. Nothing in said unit operating agreement or any amendment thereto shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement.

6. INITIAL PLAN OF DEVELOPMENT

Three wells have heretofore been drilled within the unit area. On the effective date hereof, two of these wells (Wells Nos. A-1 and C-1, Lease OCS 0346), are shut-in gas wells for which shut-in gas well payments are being made for lack of marketing facilities. Said wells shall be subject to the terms and conditions of this agreement.

Unit Operator, except as hereinafter in this section provided, agrees to drill four more wells within the unit area at locations approved by the Supervisor. Drilling of the first of these wells will be commenced within 90 days after the effective date hereof and said well will be located 1/2 mile or more distant from any producible well and will be drilled to a depth of 9,000 feet unless production of unitized substances in paying quantities is discovered at a lesser depth, or unit operator shall at any time establish to the satisfaction of the Supervisor that further drilling would be unwarranted or impracticable. Drilling of the second well will be commenced within 90 days after completion of the first well and said well will be located one mile or more distant from the above-identified Well No. A-1 or Well No. C-1 and will be drilled to a depth of 9,000 feet unless production of unitized substances in paying quantities is discovered at a lesser depth, or unit operator shall at any time establish to the satisfaction of the Supervisor that further drilling would be unwarranted or impracticable. Drilling of the third well will be commenced within six months after the completion of the second well and said well will be drilled to a depth of 14,000 feet unless unit operator shall at any time establish to the satisfaction of the Supervisor that further drilling would be unwarranted or impracticable. Drilling of the fourth well will be commenced within six months after the completion of the third well and said well will be drilled to a depth of 14,000 feet unless unitized substances are discovered at a lesser depth or unit operator shall at any time establish to the satisfaction of the Supervisor that further drilling would be unwarranted or impracticable.

The Director may modify the above-specified drilling requirements of this section by granting reasonable extensions of time or releasing the unit operator from the drilling of certain wells when, in his opinion, such action is warranted.

The Unit Operator agrees that in the event none of the four wells above specified is located on Block 34, 35 or 36, and if any of said blocks are then retained under lease, drilling of a fifth well at a location approved by the Supervisor on one of these three blocks will be commenced within one year after the completion of the fourth well.

The failure of Unit Operator to drill any of the wells required to be drilled under this section shall have no other effect than the termination of this agreement.

7. ADDITIONAL PLANS OF DEVELOPMENT:

The Initial Plan of Development set forth in the preceding section defines certain wells to be drilled; nevertheless The Unit Operator on his own initiative may, or when required by the Supervisor shall submit for the approval of the Supervisor an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, shall constitute additional drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor a plan for an additional specified period for the development and operation of the Unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities and shall be as complete and adequate as the Supervisor may determine to be necessary for timely development and proper conservation of the oil and gas resources of the

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unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development.

8. ROYALTIES AND ALLOCATIONS:

All unitized substances produced from each participating area shall be allocated on a pro rata acreage basis to the leases or portions of leases within the participating area. Separate participating areas shall be established for non-contiguous areas, but where separate participating areas become contiguous they shall thereafter constitute a single participating area. Each participating area shall be unlimited as to depths.

Unitized substances produced from unitized acreage prior to the effective date of the inclusion of such acreage in a participating area shall be allocated to the particular lease from which produced.

Within 30 days after the first day of September next following the commencement of production of unitized substances, Unit Operator shall submit for approval by the Supervisor an application (including plats and participating schedule) to establish an initial participating area or areas to be effective such September 1 and to include those quarter--quarter-quarter blocks of unitized land, i. e., 78.125 acres, on which producible wells are completed (sub-surface location) and those which adjoin or corner such blocks. It is the intent that completion of a producible

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well will establish a new participating area of at least nine quarter-quarter-quarter blocks, or add as hereinafter provided, at least nine quarter-quarter-quarter blocks to a participating area according to the above pattern, to the extent that such blocks are not already included in a participating area. Within 30 days after the first day of September each year thereafter in which any wells have been completed as producible wells, Unit Operator shall submit for approval by the Supervisor an application to establish in like manner any additional non-contiguous participating areas or enlarge or combine any existing participating areas, to be effective the first day of such September.

A producible well (including producible wells shut-in with the approval of the Supervisor) means a well capable of producing unitized substances in quantities sufficient to pay the cost of production.

The Supervisor shall be notified within 30 days, unless such period is extended by him, after completion of a well, of the qualifying subdivisions believed by the Unit Operator to be qualified for inclusion in a participating area.

All production for purposes of royalties, overriding royalties and payments out of production, payable under the leases and underlying agreements providing for the same shall be allocated in accordance with the provisions of this Section 8 and all such leases and underlying agreements are modified accordingly to the extent necessary to conform to the provisions of this Unit Agreement.

#### 9. RENTALS AND MINIMUM ROYALTIES

Beginning September 1, 1956, and for each year thereafter, lessees shall pay or cause to be paid:

(a) An advance annual rental of \$3 an acre or fraction thereof, in no event creditable against production royalties, for all unitized acreage outside of a



participating area as of the beginning of each such year, such rental to be owing as of September 1, but payable within 60 days thereafter or within such longer period as may be approved by the Supervisor, and

(b) An annual minimum royalty, payable at the end of each year, of \$3 an acre or fraction thereof, for all unitized acreage within a participating area as of the beginning of each such year, or, if there is production, the deficit between the actual royalty paid during the year and the prescribed minimum royalty.

As to leases OCS 0342 and 0343, lessee shall pay or cause to be paid, on or before August 11, 1956, in lieu of the delay drilling rentals prescribed therein, and in lieu of the rentals and minimum royalties prescribed in (a) and (b) of this section for the year commencing September 1, 1956, a rental of \$15,450 on lease 0342 and a rental of \$15,600 on lease 0343. As to such leases the aggregate annual rental and minimum royalty pursuant to (a) and (b) above, for the year commencing September 1, 1957, shall, regardless of any partial relinquishment, be not less than \$7,500 for lease 0342 and not less than \$10,000 for lease 0343.

The foregoing rental or minimum royalty of \$3 an acre shall be in lieu of all rentals due or payable and of any shut-in gas well payments described in the leases committed hereto.

10. RELINQUISHMENT OF LEASES:

Pursuant to the provisions of the leases and 43 CFR 201.80, the lessee of record shall have the right to relinquish in whole or in part, any lease committed hereto, except that no relinquishment shall be made with respect to land within a participating area without the prior approval of the Director.

11. NOTICE OF CONTRACTION:

If the Unit Operator is not, in the judgment of the Director, carrying out

an adequate program of timely exploration or development of Unitized Land, he may serve notice on the Unit Operator and the lessees of record to show cause why designated 1/4 blocks any part of which is in the Unit Area but no part of which is then within or qualified to be admitted to a participating area, or designated 1/4 1/4 of any such 1/4 blocks, should not be excluded from the Unit Agreement. [Upon good cause shown within six months of date of the notice, the Director may cancel the notice. If not so cancelled, the notice shall be effective two years from the date thereof to exclude the designated land from the Unit Agreement unless within such two-year period the Unit Operator completes a well at a location within the unit area, either in a participating area or in the non-participating area at which location, the completion of a producible well (whether it is actually a producible well or a dry hole) would, under the provisions of the participating section of this Agreement, qualify additional lands for admission to a participating area, or unless on or before the exclusion date an additional payment of \$3.00 an acre is made to the lessor on each acre of the designated land retained under lease after the first year of such two-year period.

No notice as above provided shall be served prior to September 1, 1966, and any such notice must be served on the Unit Operator during the month of September and be dated as of the first day thereof. Only one such notice shall be in effect at any one time.

In the event two consecutive notices are satisfied by making the additional \$3.00 an acre payment as provided in this section, the Director may eliminate the privilege of making an additional payment of \$3.00 an acre to satisfy the notice.

SEE: SECTION 11 IN Amendment to U/A  
Regarding fees.

The lease as to any land excluded from the Unit Agreement in accordance with this section shall automatically terminate as to such excluded land as of the date of exclusion.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED:

The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the Secretary by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, suspend, change or revoke the drilling, production, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

A. Drilling and producing operations performed hereunder upon any tract of unitized land will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the tracts therein embraced;

B. Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land; and

C. Subject to the relinquishment provisions hereof, any lease committed hereto shall, as to the substances unitized, continue in force beyond the term so provided therein, or as extended by law, for the life of this agreement. Lease rights in acreage excluded from this agreement under Sections 2 and 11 shall expire upon the date of such exclusion. Upon any termination of this agreement, the

leases covered hereby (except as to acreage excluded under Sections 2 and 11) may thereafter be maintained and continued in full force and effect in accordance with the original terms, provisions and conditions of the lease or leases and amendments thereto; provided, however, that as to acreage retained under lease, lessee shall pay an annual minimum royalty of \$3.00 an acre, payable at the end of each lease year (September 1) on the basis of acreage retained at the beginning of each such lease year. Such minimum royalty payment shall be in lieu of all rentals and shut-in well payments provided for in the lease.

13. EFFECTIVE DATE AND TERM:

This agreement shall become effective upon approval of the Secretary or his duly authorized representative and shall continue in full force and effect;

- (a) so long as there is diligent prosecution of the initial plan of development prescribed in this agreement, and
- (b) so long after completion of such initial plan of development as unitized substances can be produced in paying quantities (i. e., in quantities sufficient to pay the actual cost of producing same), or drilling or well reworking operations are being conducted in accordance with the terms of this agreement, or, if pursuant to a suspension approved by the Supervisor, there is neither production nor operation, then so long as the suspension remains in effect.

With the approval of the Director this agreement may be terminated at any time by the owners of a majority of the working interest in the unitized substances; provided, however, that if one party owns a majority working interest, the concurrence of one other party shall be necessary. An application for termination under this paragraph shall be accompanied by evidence of the giving of at least 30 days' notice of the proposed termination to all parties hereto. Notice of an approved termination hereunder shall be given by Unit Operator to all parties hereto.

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14. 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 or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

15. NO WAIVER OF CERTAIN RIGHTS:

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense pertaining to the validity or invalidity of any law of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

16. UNAVOIDABLE DELAY:

All obligations under this agreement requiring the Unit Operator to commence drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, Acts of God, Federal, or other applicable law, Federal or other authorized governmental agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

17. FAIR EMPLOYMENT:

In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employ-

ment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

**18. COUNTERPARTS:**

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

**19. SUCCESSOR AND ASSIGNS:**

This agreement shall be binding upon the lessee, its successors and assigns.

**WORKING INTEREST OWNERS**

Date MAY 29 1956

ATTEST: [Signature]  
SECRETARY

Date JUN 18 1956

ATTEST: [Signature]  
ASSISTANT SECRETARY

Date JUN 19 1956

ATTEST: [Signature]  
ASSISTANT SECRETARY

KERR-McGEE OIL INDUSTRIES, INC.

By [Signature]  
Vice-President

PHILLIPS PETROLEUM COMPANY

By [Signature]  
VICE - PRESIDENT

STANOLIND OIL AND GAS COMPANY

By [Signature]  
Vice-President



UNIT OPERATOR

Date MAY 29 1956

KERR-McGEE OIL INDUSTRIES, INC.

ATTEST:

[Signature]  
SECRETARY

By

[Signature]  
Vice-President

OVERRIDING ROYALTY INTEREST OWNERS

Date JUN 19 1956

STANOLIND OIL AND GAS COMPANY

ATTEST:

[Signature]  
ASSISTANT SECRETARY

By

[Signature]  
Vice-President

APPROVED  
[Signature]



REVISION NO. 1  
TO  
EXHIBIT "B"

BLOCK 28 SHIP SHOAL UNIT AGREEMENT

<u>OCS</u> <u>LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY</u> <u>OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0347	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company 1/2

\* The working interest under the above lease is subject to the following oil payments and overriding royalty interest:

OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/48 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, 41/7680 of 8/8  
Individually, and as Tutrix for  
Sandra Jean Lee and Judith Ann  
Lee, minors, and Diane Bernice  
Lee Conner  
L. F. Guseman, Sr. 40% of 41/7680 of 8/8  
J. R. Beck, Trustee 60% of 41/7680 of 8/8  
Harry R. Conley 41/15360 of 8/8  
Pan American Petroleum Corporation 1/16 of 3/8 of 7/8 (Payable out  
of Kerr-McGee's interest  
only).

THEREAFTER:

SECOND OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/32 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, 27/5120 of 8/8  
Individually, and as Tutrix for  
Sandra Jean Lee and Judith Ann  
Lee, minors, and Diane Bernice  
Lee Conner  
L. F. Guseman, Sr. 40% of 27/5120 of 8/8  
J. R. Beck, Trustee 60% of 27/5120 of 8/8  
Harry R. Conley 27/10240 of 8/8  
Pan American Petroleum Corporation 1/16 of 3/8 of 7/8 (payable out of  
Kerr-McGee's interest only)

THEREAFTER:

OVERRIDING ROYALTY:

Mrs. Helen Bernice Parmely Lee, 7/1280 of 8/8  
Individually, and as Tutrix for  
Sandra Jean Lee and Judith Ann  
Lee, minors, and Diane Bernice  
Lee Conner  
L. F. Guseman, Sr. 40% of 7/1280 of 8/8  
J. R. Beck, Trustee 60% of 7/1280 of 8/8  
Harry R. Conley 7/2560 of 8/8  
Pan American Petroleum Corporation 1/16 of 3/8 of 7/8 (Payable out of  
Kerr-McGee's interest only)

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<u>OCS</u> <u>LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY</u> <u>OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0346	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 3/8 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company: 5/8

\* The working interest under the above lease is subject to the following oil payments and overriding royalty interests:

OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/48 of 8/8

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	41/7680 of 8/8
L. F. Guseman, Sr.	40% of 41/7680 of 8/8
J. R. Beck, Trustee	60% of 41/7680 of 8/8
Harry R. Conley	41/15360 of 8/8
Pan American Petroleum Corporation	116235/5898240 of 8/8

THEREAFTER:

SECOND OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/32 of 8/8

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	27/5120 of 8/8
L. F. Guseman, Sr.	40% of 27/5120 of 8/8
J. R. Beck, Trustee	60% of 27/5120 of 8/8
Harry R. Conley	27/10240 of 8/8
Pan American Petroleum Corporation	76545/3932160 of 8/8

THEREAFTER:

OVERRIDING ROYALTY:

Mrs. Helen Bernice Parmely Lee Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	7/1280 of 8/8
L. F. Guseman, Sr.	40% of 7/1280 of 8/8
J. R. Beck, Trustee	60% of 7/1280 of 8/8
Harry R. Conley	7/2560 of 8/8
Pan American Petroleum Corporation	19845/983040 of 8/8

<u>OCS</u> <u>LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY</u> <u>OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0345	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/8 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company: 1/2 * Pan American Petroleum Corporation 3/8
0344	5,000	U.S. 100 %	* Kerr-McGee Oil Industries, Inc.: 1/2 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company 1/2

\* The working interest under each of the above leases is subject to the following oil payments and overriding royalty interests:

OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/48 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	41/7680 of 8/8
L. F. Guseman, Sr.	40% of 41/7680 of 8/8
J. R. Beck, Trustee	60% of 41/7680 of 8/8
Harry R. Conley	41/15360 of 8/8

THEREAFTER:

SECOND OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/32 of 8/8

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	27/5120 of 8/8
L. F. Guseman, Sr.	40% of 27/5120 of 8/8
J. R. Beck, Trustee	60% of 27/5120 of 8/8
Harry R. Conley	27/10240 of 8/8

THEREAFTER:

OVERRIDING ROYALTY:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	7/1280 of 8/8
L. F. Guseman, Sr.	40% of 7/1280 of 8/8
J. R. Beck, Trustee	60% of 7/1280 of 8/8
Harry R. Conley	7/2560 of 8/8

<u>OCS LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0343	5,000	U. S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company: 1/2

\* The working interest under the above lease is subject to the following overriding royalty interest insofar, only, as it covers the following described land:

Beginning at a point in Gulf of Mexico, off the shore of the State of Louisiana, 25,421.79' East of and 76,498.74' South of U.S.C. & G.S. triangulation station "END"; thence East 11,800.00'; Thence North 13,961.538'; Thence West 11,800.00'; Thence South 13,961.538' to the place of beginning, containing 3,782.05 acres.

OVERRIDING ROYALTY:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors, and Diane Bernice Lee Conner	35/10,240 of 8/8
L. F. Guseman, Sr.	40% of 35/10,240 of 8/8
J. R. Beck, Trustee	60% of 35/10,240 of 8/8
Harry R. Conley	35/20,480 of 8/8

<u>OCS LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0342	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Southern Natural Gas Company, as Manager of the Joint Venture with Phillips Petroleum Company: 1/2

\* The working interest under the above lease is subject to the following overriding royalty interest insofar, only, as it covers the following described lands:

Beginning at a point in Gulf of Mexico, off the shore of the State of Louisiana, 52,821.79' East of and 76,498.74' South of U.S.C. & G.S. triangulation station "END"; thence East 12,600.00'; thence North 13,961.538'; thence West 12,600.00'; thence South 13,961.538' to place of beginning, containing 4,038.46 acres.

OVERRIDING ROYALTY:

Mrs. Helen Bernice Parmely Lee, Individually, and as Tutrix for Sandra Jean Lee and Judith Ann Lee, minors and Diane Bernice Lee Conner	35/10,240 of 8/8
L. F. Guseman, Sr.	40% of 35/10,240 of 8/8
J. R. Beck, Trustee	60% of 35/10,240 of 8/8
Harry R. Conley	35/20,480 of 8/8.

EXHIBIT "B"

BLOCK 28 SHIP SHOAL UNIT AGREEMENT

<u>OCS</u> <u>LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY</u> <u>OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0347	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Phillips Petroleum Company : 1/2

\* The working interest under the above lease is subject to the following oil payments and overriding royalty interest:

OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/48 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

J. E. Lee, Jr.	41/7680 of 8/8	
L. F. Guseman	40% of 41/7680 of 8/8	
J. R. Beck, Trustee	60% of 41/7680 of 8/8	
Harry R. Conley	41/15360 of 8/8	
Stanolind Oil and Gas Company	1/16 of 3/8 of 7/8	(Payable out of Kerr-McGee's interest only)

THEREAFTER:

SECOND OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/32 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

J. E. Lee, Jr.	27/5120 of 8/8	
L. F. Guseman	40% of 27/5120 of 8/8	
J. R. Beck, Trustee	60% of 27/5120 of 8/8	
Harry R. Conley	27/10240 of 8/8	
Stanolind Oil and Gas Company	1/16 of 3/8 of 7/8	(Payable out of Kerr-McGee's interest only)

THEREAFTER:

OVERRIDING ROYALTY:

J. E. Lee, Jr.	7/1280 of 8/8	
L. F. Guseman	40% of 7/1280 of 8/8	
J. R. Beck, Trustee	60% of 7/1280 of 8/8	
Harry R. Conley	7/2560 of 8/8	
Stanolind Oil and Gas Company	1/16 of 3/8 of 7/8	(Payable out of Kerr-McGee's Interest only)

SCANNED 7

<u>OCS LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0346	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/8 * Phillips Petroleum Company : 1/2 * Stanolind Oil and Gas Company : 3/8
0345	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/8 * Phillips Petroleum Company : 1/2 * Stanolind Oil and Gas Company : 3/8
0344	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Phillips Petroleum Company : 1/2

\* The working interest under each of the above leases is subject to the following oil payments and overriding royalty interests:

OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/48 of 8/8.

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

J. E. Lee, Jr.		41/7680 of 8/8
L. F. Guseman	40% of	41/7680 of 8/8
J. R. Beck, Trustee	60% of	41/7680 of 8/8
Harry R. Conley		41/15360 of 8/8

THEREAFTER:

SECOND OIL PAYMENT:

\$5,000,000.00 to Federal Government out of 1/32 of 8/8

OVERRIDING ROYALTY UNTIL OIL PAYMENT IS PAID OUT:

J. E. Lee, Jr.		27/5120 of 8/8
L. F. Guseman	40% of	27/5120 of 8/8
J. R. Beck, Trustee	60% of	27/5120 of 8/8
Harry R. Conley		27/10240 of 8/8

THEREAFTER:

OVERRIDING ROYALTY:

J. E. Lee, Jr.		7/1280 of 8/8
L. F. Guseman	40% of	7/1280 of 8/8
J. R. Beck, Trustee	60% of	7/1280 of 8/8
Harry R. Conley		7/2560 of 8/8

SCANNED  
7/8

<u>OCS LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0343	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc. : 1/2 * Phillips Petroleum Company : 1/2

\* The working interest under the above lease is subject to the following overriding royalty interest insofar, only, as it covers the following described land:

Beginning at a point in Gulf of Mexico, off the shore of the State of Louisiana, 25,421.79' East of and 76,498.74' South of U.S.C. & G.S. triangulation station "END"; thence East 11,800.00'; thence North 13,961.538'; thence West 11,800.00'; thence South 13,961.538' to the place of beginning, containing 3,782.05 acres.

OVERRIDING ROYALTY:

J. E. Lee, Jr.	35/10,240 of 8/8
L. F. Guseman	40% of 35/10,240 of 8/8
J. R. Beck, Trustee	60% of 35/10,240 of 8/8
Harry R. Conley	35/20,480 of 8/8

<u>OCS LEASE NO.</u>	<u>ACREAGE</u>	<u>ROYALTY OWNERSHIP</u>	<u>LEASE OWNERSHIP</u>
0342	5,000	U.S. - 100%	* Kerr-McGee Oil Industries, Inc.: 1/2 * Phillips Petroleum Company : 1/2

\* The working interest under the above lease is subject to the following overriding royalty interest insofar, only, as it covers the following described land:

Beginning at a point in Gulf of Mexico, off the shore of the State of Louisiana, 52,821.79' East of and 76,498.74' South of U.S.C. & G.S. triangulation station "END"; thence East 12,600.00'; thence North 13,961.538'; thence West 12,600.00'; thence South 13,961.538' to place of beginning, containing 4,038.46 acres.

OVERRIDING ROYALTY:

J. E. Lee, Jr.	35/10,240 of 8/8
L. F. Guseman	40% of 35/10,240 of 8/8
J. R. Beck, Trustee	60% of 35/10,240 of 8/8
Harry R. Conley	35/20,480 of 8/8

SCANNED  
1/19