

**PLAN OF UNITIZATION  
FOR  
WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA**

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### PLAN OF UNITIZATION

#### West Goldsby Osborn Unit

#### McClain County, Oklahoma

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## EXHIBITS

- EXHIBIT "A" Map Showing the Unit Area and The Tracts Therein
- EXHIBIT "B" Tract Descriptions, Tract Participation and Unit Interests
- EXHIBIT "C" Log Showing the Unitized Formation
- EXHIBIT "D" Accounting Procedures
- EXHIBIT "E" Insurance
- EXHIBIT "F" Governmental Regulations



PLAN OF UNITIZATION  
West Goldsby Osborn Unit  
McClain County, Oklahoma

WITNESSETH:

The following shall constitute the Plan of Unitization applicable to the West Goldsby Osborn Unit, McClain County, Oklahoma, created pursuant to authority of Sections 287.1 - 287.15, inclusive, Title 52, Oklahoma Statutes, and any amendment thereof. The purposes hereof are the unitized management, operation and further development of the Unitized Formation as herein defined, all to the end that a greater ultimate recovery of Oil and Gas may be had therefrom, that waste be prevented, and the correlative rights of the respective owners be protected.

**ARTICLE 1 -  
DEFINITIONS**

As used in this Plan of Unitization, the terms herein shall have the following meaning:

- 1.1 Commission means the Corporation Commission of the State of Oklahoma or any successor regulatory agency of the State of Oklahoma.
- 1.2 Consenting Working Interest Owner means a Working Interest Owner, as defined in Paragraph 1.36 below, who participates in the cost of authorized operations under the terms of Article 19.5 of this Plan of Unitization.
- 1.3 Effective Date is the time and date this Plan of Unitization becomes effective as provided in Article 27 of this Plan of Unitization.
- 1.4 Gas shall mean natural gas (including casinghead gas) and all of its constituent elements, including but not limited to sulfur contained in gas, and natural gasoline, condensate, distillate, butanes, propanes, and other hydrocarbons from the gas after it leaves the reservoir.
- 1.5 New Interest is any interest payable out of a Working Interest that is created by a Working Interest Owner as described in Article 19.8 of this Plan of Unitization.
- 1.6 Non-Consent Election means an act by a Working Interest Owner by which such Working Interest Owner elects or is deemed to have elected to proceed non-consent and to not participate in the cost of authorized operations, as set forth in Article 19.5 of this Plan of Unitization.
- 1.7 Non-Consenting Working Interest Owner means Working Interest Owner, as defined in Paragraph 1.36 below, who elects or is deemed to have elected not to participate in the cost of authorized operations under the terms of Article 19.5 of this Plan of Unitization.

- 1.8 Oil shall mean any liquid hydrocarbon, regardless of gravity, capable of being produced from the Unit Area in liquid form at the well and which is not the result of condensation of gas after it leaves the reservoir.
- 1.9 Oil and Gas Rights are the rights to explore, develop and operate lands within the Unit Area for the production of Unitized Substances from the Unitized Formation, or to share in the production so obtained or the proceeds thereof.
- 1.10 Operating Committee is a committee formed for supervision of Unit Operations, and consists of a representative of each Working Interest Owner who owns at least a 10% Unit Participation interest in the Unit, as more particularly specified in Article 12 of this Plan of Unitization.
- 1.11 Outside Substances are all substances purchased or otherwise obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.
- 1.12 Person is any individual, corporation, partnership, association, receiver, trustee, curator, executor, administrator, guardian, tutor, fiduciary, or other representative of any kind, any department, agency, or instrumentality of state or federal government, or any governmental subdivision thereof, or any other entity capable of holding an interest in the Unitized Formation.
- 1.13 Primary Production is that production economically recoverable without using secondary recovery methods.
- 1.14 Pre-Unit Expenses are any costs and expenses associated with the formation of the Unit or any costs incurred prior to the Effective Date to prepare for Unit Operations, or both.
- 1.15 Prior Non-Participating Lessee shall mean a lessee who, prior to the Effective Date, elected not to participate in drilling or subsequent operations with respect to a well located in a Tract in the Unit thereby relinquishing such lessee's working interest subject to non-consent penalties or other conditions under any agreement, including, but not limited to, a joint operating agreement or farm-out agreement, and who, upon the recovery of such non-consent penalties or the completion or satisfaction of such other conditions, shall have the right to reacquire such relinquished working interest and revert to a participating lessee.
- 1.16 Royalty Interest is a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.
- 1.17 Royalty Owner is a party hereto who owns a Royalty Interest.
- 1.18 Secondary Recovery means any method of recovering Unitized Substances other than primary recovery.

- 1.19 Singular and Plural - Gender. Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, the neuter gender includes the masculine and the feminine, the masculine includes the feminine and the feminine includes the masculine.
- 1.20 Tract is the land identified as such and given a tract number in Exhibit B.
- 1.21 Tract Participations are the percentages shown on Exhibit B for allocating Unitized Substances to a Tract under this Plan of Unitization.
- 1.22 Unit means the West Goldsby Osborn Unit, McClain County, Oklahoma.
- 1.23 Unit Area means the lands described by Tracts in Exhibit A and Exhibit B.
- 1.24 Unit Equipment is all personal property, lease and well equipment, plants and other facilities and equipment taken over or otherwise acquired for use in Unit Operations.
- 1.25 Unit Expense is all cost, expense or indebtedness incurred by the Working Interest Owners or Unit Operator pursuant to this Plan of Unitization for or on account of Unit Operations and may include expenses incurred prior to the Effective Date that were associated with the formation of the Unit or with preparations for Unit Operations, or both.
- 1.26 Unit Operator is the party designated by Working Interest Owners under this Plan of Unitization to conduct Unit Operations, acting as operator on behalf of the Unit and not as an individual Working Interest Owner.
- 1.27 Unit Operations means all operations conducted by Unit Operator pursuant to this Plan of Unitization for or on account of the development and operations of the Unitized Formation for the production of Unitized Substances.
- 1.28 Unit Participation of each Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation factor.
- 1.29 Unit Production is all production from wells completed in the Osborn formation and included within the Unit.
- 1.30 Unit Well is any well within the Unit Area that is taken over by Unit Operator under Article 18.1.1 of this Plan of Unitization or any well drilled by Unit Operator on behalf of the Unit.
- 1.31 Unitization Factors are those factors used to allocate Unit Production to each Tract once Primary Production ceases.
- 1.32 Unitized Formation means that common source of supply of Oil and Gas underlying the Unit Area commonly known as the Osborn formation and which is

further identified as the zone, or the stratigraphic equivalent of said zone, shown in the electric log attached hereto as Exhibit "C" and as set out below:

The Osborn interval, the top of which is found in the field at a log depth of 9,086 feet in the Goodrich #2 Well, and the bottom of which is found at a depth of 9,245 feet in the Goodrich #2 Well, located in the NE/4 of Section 34-T7N-R3W, McClain County, Oklahoma, and are currently operated by Twisted Oak Operating, LLC.

- 1.33 Unitized Substances are all oil, gas, gaseous substances, sulfur contained in oil or gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons, other than Outside Substances, that are within the Unitized Formation or that may be produced from the Unitized Formation from wells within the Unit Area.
- 1.34 Usable Wells shall include any well that is or was completed in the Unitized Formation, with the Unitized Formation in such well being able to be physically separated or isolated from all other formations in such well, and that has no obstructions or mechanical faults or defects which cannot be remediated with reasonable efforts and which would limit or restrict the use of such well in Unit Operations. Inclusion of a well as a Useable Well will be at the sole determination of the Operating Committee under the terms of Article 18 of this Plan of Unitization.
- 1.35 Wellbore Only Well is a usable well in which the Working Interest Owners in such well own only a wellbore interest.
- 1.36 Working Interest is 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, either in cash or out of production or otherwise, all or a portion of the cost of drilling, completing, equipping, developing, producing and operating the Unitized Formation. Interest in Oil and Gas rights that are free of lease or other instrument conveying a working interest to another Person shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof, and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof.
- 1.37 Working Interest Owner or Lessee is a Party hereto who owns a Working Interest.

## **ARTICLE 2 - EXHIBITS**

- 2.1 Exhibits. Attached hereto are the following Exhibits, which are incorporated herein by reference.
  - 2.1.1 Exhibit A is a map that shows the boundary lines of the Unit Area and the Tracts therein.

- 2.1.2 Exhibit B is a schedule that describes each Tract in the Unit Area and shows each such Tract's Tract Participation.
- 2.1.3 Exhibit C contains portions of the electric log run on the Goodrich C#2 Well located in the NE/4 of Section 3-7N-3W, McClain County.
- 2.1.4 Exhibit D is the Accounting procedure applicable to the Unit Operations. If there is any conflict between the body of this Plan of Unitization and Exhibit D, the body of this Plan of Unitization shall govern.
- 2.1.5 Exhibit E contains insurance provisions applicable to Unit Operations.
- 2.1.6 Exhibit F contains provisions relative to certain governmental requirements which may apply to this Plan of Unitization.
- 2.2 Reference to Exhibits. When reference is made to an exhibit, it is to the exhibit as originally attached hereto or, if revised, to the most recent revision.
- 2.3 Exhibits Considered Correct. Exhibits A and B shall be considered to be correct unless and 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 or differing royalty ownership or working interest ownership on the Effective Date, should have been divided into more than one Tract as shown on any exhibit attached hereto, or that any mathematical miscalculation or clerical error has been made in the preparation of any such exhibit or information shown thereon, Unit Operator, with the approval of the Operating Committee, shall revise such exhibit to correct such error or such miscalculation. Such revision of an exhibit 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 month in which such revision to such exhibit is approved by the Operating Committee, or on such other date as may be determined by the Operating Committee and set forth in the revised exhibit. All Persons having a right to participate in production from Unit Operations shall be furnished with copies of any such revised exhibit.

### **ARTICLE 3 - CREATION AND EFFECT OF UNIT**

- 3.1 Oil and Gas Rights Unitized. Subject to the provisions of this Plan of Unitization, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibits A and B, and all Oil and Gas Rights of Working Interest Owners in and to such lands, are hereby unitized insofar and only insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Unit Operations may be conducted with respect to the Unitized Formation as if the Unit Area had been included in a single lease executed by all Royalty Owners, as lessors, in favor of

all Working Interest Owners, as Lessees, and as if the lease had been subject to all of the provisions of this Plan of Unitization.

- 3.2 **Personal Property Excepted.** Subject to the provisions of Article 18 of this Plan of Unitization, 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 and not designated Unit Equipment under this Plan of Unitization 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 in the personal property described above as among Working Interest Owners are set forth herein.
- 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 so as to conform to the provisions of this Plan of Unitization, but otherwise shall remain in effect. The division orders in effect shall cover and apply to that fraction of the Unitized Substances as is allocated to the respective Tracts in Exhibit B (effective as of the Effective Date of the Unit) and purchasers of Unitized Substances are authorized to pay therefor in accordance with the applicable percentages set forth in Exhibit B without procuring new division orders.
- 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, shall be considered as like operations upon or production from each Tract, and such operations or production shall constitute compliance with and continue in effect each lease, pooling order, term royalty, or other agreement as to all lands covered thereby just as if such operations had been conducted on and a well had been drilled on and was producing from each Tract.
- 3.5 **Titles Unaffected by Unitization.** Except for the extent provided for in Article 19, nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any Person to any other Person or to Unit Operator. The intention hereof 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 Working Interest Owners the right to inject into the Unitized Formation any substance or material including Outside Substances, in whatever amounts Working Interest Owners deem expedient for Unit Operations. Royalty Owners further grant Working Interest Owners the right to use any existing well bore located within the Unit Area, whether producing, inactive, abandoned or plugged, for any purpose, including as a producing well, injection well, observation well or water supply well, in connection with Unit Operations in the Unitized Formation in the Unit Area.
- 3.7 **Development Obligations.** Nothing herein shall relieve the Working Interest Owners from any obligation to develop in a reasonable, prudent manner each of

the tracts of land and leases committed to the Unit Area, as pertains to all zones other than the Unitized Formation.

- 3.8 Cooperative Agreements. Unit Operator may, after approval by the Operating Committee, enter into cooperative agreements with respect to lands adjacent to or near the Unit Area for the purpose of coordinating operations. Any such agreements shall have as their primary purpose the control of migration of Oil and Gas across the boundaries of the Unit Area so that all interest owners within the Unit Area shall be able to recover their pro-rata shares of Unitized Substances in place, or their equivalents in kind, as of the Effective Date. Nothing herein shall be construed to create, enlarge or diminish any express or implied obligation of the Working Interest Owners. Any such cooperative agreement shall in no way affect or alter the percentages of participation established hereunder as to the Persons hereto, nor shall the same provide for the sharing or allocation of production as between the Unit Area, as herein defined, and any outside lands.

#### **ARTICLE 4 - PLAN OF OPERATION**

- 4.1 Unit Operator. The Working Interest Owners shall designate a Unit Operator under the terms of Article 14 of this Plan of Unitization. Unit Operator shall have the exclusive right to conduct Unit Operations, which shall conform to the provisions of this Plan of Unitization. This provision is not intended to and shall not limit or restrict the Unit Operator's right to retain or employ third parties in conducting or furthering Unit Operations.
- 4.2 Methods of Operation. To the end that the quantity of Unitized Substances ultimately recoverable may be increased, waste prevented, and correlative rights protected, Working Interest Owners shall, with diligence and in accordance with good engineering and production practice, engage in pressure maintenance, secondary recovery or other enhanced recovery operations which may include (without limiting the right of the Working Interest Owners to employ other methods) injecting gas, water or other substances or any combination thereof into the Unitized Formation, as well as operating programs during and/or after injection to recover Unitized Substances for sale, which programs may incorporate well locations, producing rates and operating expenses designed to provide optimum recovery of Unitized Substances.
- 4.3 Change of Operating Methods. Nothing herein shall prevent the Operating Committee from discontinuing or changing in whole or in part any method of operation which, in its opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or such changes may be made by the Operating Committee from time to time if determined by it to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

**ARTICLE 5 -  
ALLOCATION OF UNITIZED SUBSTANCES**

- 5.1 Tract Participation. The Tract Participation of each tract is shown in Exhibit B. Also shown in Exhibit B is the formula used to determine the Tract Participation.
- 5.2 Relative Tract Participation. If the Unit Area is enlarged or reduced, the revised Tract Participation of the Tracts which are then 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.
- 5.3 Allocation to Tracts. All Unitized Substances that are produced, saved and sold, and not reinjected or utilized in Unit Operations, shall be allocated to all the Tracts in accordance with their respective Tract Participation effective during the period that such 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.
- 5.4 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the Persons entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this Plan of Unitization not been adopted, and with the same legal effect. If any Oil and Gas Rights in a Tract are or 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 the proportion that the surface acreage of their respective parts of the Tract bears to the total surface acreage of the Tract. Any royalty or other payment which depends upon per well production or pipeline runs from a well or wells on a Tract shall, after the Effective Date, be determined by dividing the Unitized Substances allocated to the Tract by the number of wells on the Tract capable of producing Unitized Substances on the Effective Date; however, if any Tract has no well thereon capable of producing Unitized Substances on the Effective Date, the Tract shall, for the purpose of this determination, be deemed to have one such well thereon. For any Tract on which there is a Wellbore Only Well, as shown on Exhibit A, Unitized Substances allocated to such Tract shall be allocated 25% to the owners of the well and 75% to the owners of the leasehold outside of the wellbore of the well.
- 5.5 Taking Unitized Substances in Kind. Upon the exercise of the right to take in kind, the Unitized Substances allocated to each Tract shall be delivered in kind to the electing Person entitled thereto by virtue of the ownership of Oil and Gas Rights therein. Such Person shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for the purpose of taking in kind any portion of such Unitized Substances, provided that they are so constructed, maintained, and



operated as specified by Unit Operator so as not to interfere with Unit Operations. Any expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving Person. 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 Owner's right shall be entitled to take in kind such share of the Unitized Substances. All Persons who exercise the right to take in kind must notify Unit Operator in writing at least thirty (30) days in advance of the first day of the calendar month in which such Person wishes to take Unitized Substances in kind. Unit Operator shall, if necessary, periodically adjust the quantities of Unitized Substances delivered to each such party so as to maintain a reasonable cumulative balance between the quantities of Unitized Substances actually delivered to each such Person and the quantities of Unitized Substances each Person is entitled to receive. Any imbalances which may exist at the termination of this Plan of Unitization shall be adjusted by a final accounting between or among the Persons based on the proceeds received by each Person from the sale of the excess over its share of Unitized Substances. Unit Operator is responsible for implementing and maintaining gas balancing records.

- 5.6 Failure to Take in Kind. If any Person fails to take in kind or separately dispose of such Person's share of Unitized Substances, Unit Operator shall have the right, but not the obligation, except as provided by law, for the time being and subject to revocation at will by the Person owning the share, in accordance with Article 5.7 hereof, to purchase for its own account or sell to others such share; however, all contracts of sale by Unit Operator of any other such Person's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds for the Unitized Substances so disposed of by Unit Operator shall be paid to the Person entitled thereto. In the event any Person fails to take in kind or separately dispose of such Person's share of Unitized Substances, and Unit Operator purchases or sells to third parties such share of Unitized Substances, as described above, Unit Operator shall not be liable to such Person for any legal claim of damages resulting from such sale or any contract associated with such sale.
- 5.7 Responsibility for Royalty Settlements. Unit Operator shall make or cause to be made all collections and disbursements of royalty payments unless Unitized Substances are taken in kind. Any Person 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, including royalties, overriding royalties, production payments and all other payments, and shall indemnify all other Persons, 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.

5.8 Outside Substances. Outside Substances shall be owned by the Working Interest Owners in accordance with the Unit Participation shown in Exhibit B. No payments shall be due or payable to Royalty Owners on any Outside Substances.

5.8.1 Gas. If Gas is the Outside Substance injected into the Unitized Formation, seventy-five percent (75%) of any Gas subsequently produced from the Unitized Formation and sold, or used for other than Unit Operations, shall be deemed to be the Outside Substance so injected until the total volumes on a BTU basis of any Gas subsequently produced equal to the total volumes on a BTU basis of the Outside Substance so injected.

5.8.2 Oil. If Oil is the Outside Substance injected into the Unitized Formation, and the Unitized Substances subsequently produced contain such injected Oil as determined by the Operating Committee by applicable tests, then commencing on the first day of the calendar month following such a determination, one hundred percent (100%) of all Oil production attributable to each Tract and sold during any month shall be deemed to be the Outside Substance so injected until the total volumes on a stock tank barrel basis of any Oil subsequently produced equals the total volumes on a stock tank barrel basis of the Outside Substances so injected.

## **ARTICLE 6 - USE OR LOSS OF UNITIZED SUBSTANCES**

6.1 Use of Unitized Substances. Working Interest Owners may use or consume as much of the Unitized Substances as deemed necessary by the Unit Operator for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

6.2 Royalty Payment. 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, storing or sale of Unitized Substances.

## **ARTICLE 7 - REMAINING PRIMARY PRODUCTION**

7.1 Remaining Primary Production. Production from each individual Tract shall be considered secondary production from the Effective Date, and shall be distributed based on the Unitization Factors set out herein in Exhibit B.

## **ARTICLE 8 - TITLES**

8.1 Title Information. Upon request of the Operating Committee, the Working Interest Owners of a Tract shall furnish and make available to the Operating Committee or

Unit Operator a title opinion, rendered by a licensed attorney, covering such Tract, together with all other title information covering such Tract in the possession, control, or that should reasonably be within the possession or control, of such Working Interest Owners.

- 8.2 **Warranty and Indemnity.** Each Person who may claim to own a Working Interest or Royalty Interest in and to any Tract, or the Unitized Substances allocated thereto, shall be deemed to have warranted such Person's title to such interest, and, upon receipt of the Unitized Substances or the proceeds thereof to the credit of such interest, shall indemnify and hold harmless all other Persons from any loss due to failure, in whole or in part, of such Person's title to any such interest, except failure of title arising out of Unit Operations; provided that, such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Plan of Unitization is concerned, as of 7:00 a.m. on the first day of the calendar month next succeeding the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of any such title failure.
- 8.3 **Production Where Title is in Dispute.** If the title or right of any Person to receive, in kind or otherwise, all or any portion of the Unitized Substances allocated to a Tract, or the proceeds thereof, is in dispute, Unit Operator, at the direction of the Operating Committee, shall either:
- a. Require that the Person 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 Person fails in whole or in part; or,
  - b. Withhold and make a good faith effort to market the portion of Unitized Substances with respect to which the title or the right thereto 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 the Operating Committee, whereupon the proceeds so impounded shall be paid to the Person rightfully entitled thereto and any costs incurred by marketing or such impoundment shall be borne by the Person who unsuccessfully disputes such title or right, and such proceeds shall be paid to the Person rightfully entitled thereto without the addition of any interest thereon under the Production Revenue Standards Act (52 O.S. §§ 540-547, inclusive) or any applicable successive statute or act.
- 8.4 **Payment of Taxes to Protect Title.** If any taxes are not paid when due by or for any owner of surface rights to lands within the Unit Area, or severed mineral interests or Royalty Interests in such lands, or lands outside the Unit Area on which

Unit Equipment is located, Unit Operator may, with approval of the Operating Committee at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the tax and redeem or purchase such rights, interests, or property. Any such payment shall be treated as a Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due any delinquent taxpayer an amount sufficient to defray the costs of such payment, with such withholding to be credited to the Working Interest Owners who bore such costs. Such withholding shall be without prejudice to any other remedy available to Unit Operator or Working Interest Owners.

- 8.5 Transfer of Title. Any conveyance of all or any part of any interest owned by a Person in or to any Tract shall be subject to this Plan of Unitization. Any such conveyance of an interest shall not be effective until the transferee agrees in writing to assume all duties, obligations, and liabilities of this Plan of Unitization. No change of title shall be binding upon Unit Operator until 7:00 a.m. on the first day of the calendar month next succeeding the date of receipt by Unit Operator of evidence satisfactory to Unit Operator of such change in ownership. Each such transfer, assignment or conveyance whether so stating or not, shall operate to impose upon the party or parties acquiring such interest the obligation of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant to the Person or Persons acquiring such interest all benefits attributable hereunder to such interest.
- 8.6 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract because of Unit Operations, including non-production from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participation of the other Working Interest Owners at the time of the title failure.
- 8.7 Title Examination. Unit Operator is hereby authorized to conduct such title examination or title curative work, or both, on any Tract or Tracts (whether owned by Unit Operator or any other Working Interest Owner) as Unit Operator deems necessary or advisable from time to time; and each Working Interest Owner who owns any interest in any such Tract shall cooperate in such title examination or title curative work and shall furnish to Unit Operator all records affecting title, including, but not limited to, title opinions and abstracts of title, that may be in such Working Interest Owner's possession, control, or should reasonably be within such Working Interest Owner's possession or control. All costs and expenses incurred in such title examination and title curative work conducted for said purposes from and after the Effective Date shall be treated as a Unit Expense.

## **ARTICLE 9 - INDIVIDUAL RELATIONSHIPS AND RIGHTS**

- 9.1 No Partnership. The duties, obligations, and liabilities of the Working Interest Owners shall be several and not joint or collective. This Plan of Unitization 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 Working Interest Owners. Each Working Interest Owner shall be individually responsible for its own obligations as herein provided.

- 9.2 No Sharing of Market. Nothing herein shall be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.
- 9.3 Information to Royalty Owners. Each Royalty Owner shall be entitled to receive any information from such Royalty Owner's Working Interest Owner, or such Working Interest Owner's heirs, devisees, successors or assigns, to which such Royalty Owner is entitled under any existing agreement.
- 9.4 Royalty Owners Free of Costs. This Plan of Unitization is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay Unit Expense unless such Royalty Owner is so obligated by the terms of agreements existing before the Effective Date of this Plan of Unitization, except as provided in Article 19.8 as to New Interests.

#### **ARTICLE 10 - EASEMENTS OR USE OF SURFACE AND RIGHTS OF WAY**

- 10.1 Grant of Easements. The Persons involved herein, to the extent of their rights and interests, hereby grant to the Unit, Unit Operator, and the Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations (including, but not limited to, the right at any time and from time to time to lay, construct, repair, maintain, operate and use pipelines, power and communication lines, poles, roads, reservoirs, tanks and earthen pits and to remove, at any time and from time to time, any and all such property and fixtures erected or placed on the Unit Area) and the removal of Unitized Substances from the Unit Area; however, nothing herein shall be construed as leasing or otherwise conveying to the Unit, Unit Operator, or the Working Interest Owners a camp site or a plant site for water injection, gas injection, or gas processing.
- 10.2 Use of Water. The Unit, Unit Operator and the Working Interest Owners shall have free use of salt water or brackish water, or both, from the Unit Area for Unit Operations, including the right of Unit Operator to drill on behalf of the Unit salt water and/or brackish water supply wells; provided, however, Unit Operator shall not use fresh water from the Unit Area unless the right to use fresh water is acquired, by separate contract, from the rightful owner or owners of the fresh water. Unit Operator, on behalf of the Unit, may convert any existing or future completed, dry, inactive, abandoned or plugged wells in the Unit Area to salt water and/or brackish water supply, injection, disposal or production wells.
- 10.3 Surface Damages. The Unit shall pay to the rightful owners for damages, as required under existing oil and gas leases and any applicable state statutes, to

growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

- 10.4 Assignment to Unit Operator. Each Working Interest Owner having any right or interest in any right of way, easement or leasehold interest in surface sites necessary for Unit Operations shall assign, to the extent of its right or interest, to Unit Operator for the benefit of the Working Interest Owners, a non-exclusive right or interest in and to any such rights of way, easement, or leasehold interest. A Working Interest Owner having any right or interest in any such right of way, easement, or leasehold interest shall within ninety (90) days after the Effective Date, execute and deliver to Unit Operator, in recordable form, an assignment of such right or interest in any such right of way, easement, or leasehold interest, together with copies of the instrument or instruments creating such right of way, easement, or leasehold interest and any maps or plats further describing and depicting the affected premises.
- 10.5 Rental Payments. Any rental payments or other payments necessary to avoid termination of any right of way, easement, or leasehold interest described in Section 10.4, above, which are due at any time after the Effective Date, shall be paid by the owner or owners of any such right of way, easement or leasehold interest. Unit Operator shall reimburse such owner or owners for any such payment made after the Effective Date and said reimbursements paid by Unit Operator under this paragraph shall be treated as a Unit Expense.
- 10.6 Rights of Unit Operator. Any right or interest assigned to Unit Operator under Section 10.4 above shall continue in effect for so long as such right or interest is deemed necessary for Unit Operations and until properly released by recordable instrument. In the event a Person who receives such an assignment of any such right or interest ceases to be Unit Operator, such Person shall assign any such right or interest to the Person who succeeds to the position of Unit Operator.

#### **ARTICLE 11 - GENERAL POWERS OF UNIT**

- 11.1 General Powers of Unit. The Unit, on behalf of all owners of Oil and Gas Rights within the Unit Area, is authorized to supervise and conduct the further development and operation of the Unit Area for the production of Oil and Gas from the Unitized Formation, pursuant to the powers conferred and subject to the limitation imposed by the provisions of Sections 287.1 - 287.15, inclusive, Title 52, Oklahoma Statutes, or any amendment thereof, and by this Plan of Unitization.

#### **ARTICLE 12 - CREATION OF OPERATING COMMITTEE AND SUPERVISION OF UNIT OPERATIONS**

- 12.1 Creation of Operating Committee. An Operating Committee is hereby created, comprised of one representative to be designated by each Working Interest Owner

who owns at least a 10% Unit Participation interest in the entire Unit, provided that an individual Working Interest Owner may be a member of the Operating Committee. Each such qualifying Working Interest Owner shall, in writing, inform Unit Operator of the names and addresses of a representative and an alternate who are duly authorized to represent and bind such Working Interest Owner with respect to Unit Operations. Unit Operator likewise shall inform all other Working Interest Owners who are members of the Operating Committee of the names and addresses of its representative and an alternate. The representative or alternate may be changed from time to time by written notice to Unit Operator or the Working Interest Owners, as applicable.

- 12.2 Organizational Meeting. Subject to call by Unit Operator, the representatives designated by the Working Interest Owners who are members of the Operating Committee shall meet to perfect the organization of the Operating Committee. The meeting may be held at any time after twenty (20) days from the entry of the order of the Commission approving the Unit, as such order is defined in Article 27.2, below. Notice of the time, date and place of the meeting shall be mailed at least ten (10) days prior thereto to such Working Interest Owners whose names and addresses are known to Unit Operator.
- 12.3 Officers. The representative of Unit Operator shall be Chairman of the Operating Committee. The Operating Committee shall select a Secretary and other officers as the Operating Committee deems proper. The Secretary and other officers may or may not be members of the Operating Committee. The Secretary shall keep and maintain the records of the action of the Operating Committee. The officers shall serve at the will of the Operating Committee and perform the other duties that are delegated to them by the Operating Committee.
- 12.4 Over-all Supervision. The Operating Committee shall exercise general over-all management, supervision and control of all matters pertaining to the Unit, the conduct of the Unit's business and affairs and Unit Operations pursuant to this Plan of Unitization.
- 12.5 Specific Authorities and Duties. The matters with respect to which the Operating Committee shall decide and take action shall include, but not be limited to, the following:
  - 12.5.1 Method of Operation. The method of operation, including but not limited to, any type of pressure maintenance, secondary recovery, or other recovery program to be employed.
  - 12.5.2 Drilling of Wells. The drilling of any well into the Unitized Formation for any purpose including, but not limited to, the production of Unitized Substances, the use as an injection well, or the use as a water supply well.

- 12.5.3 Well Recompletions and Change of Status. The recompletion, abandonment, or change of status of any well, and the use of any well for production, injection, water supply or any other purpose.
- 12.5.4 Expenditures. Approving or incurring any single expenditure in excess of One Hundred Thousand Dollars (\$100,000), provided that approval by the Operating Committee of the drilling, reworking, drilling deeper, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping any well, including necessary flow lines, separators, and lease tankage. Upon request, the Unit Operator shall furnish to the Operating Committee a detailed Authority for Expenditure (also referred to herein as an "AFE") for any such proposed single expenditure as provided above for the review and approval by the Operating Committee prior to undertaking the proposed operation covered by such proposed single expenditure. .
- 12.5.5 Disposition of Unit Equipment. The sale or other disposal of any surplus Unit Equipment, if the current list price of new equipment similar thereto is in excess of Fifty Thousand Dollars (\$50,000).
- 12.5.6 Appearances Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that Unit Operator shall act as such representative in the absence of the designation of a different representative by the Operating Committee. The designation of a representative hereunder shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.
- 12.5.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations; provided however:
- a. An audit shall not be conducted more than once each year except upon the resignation or removal of Unit Operator; and
  - b. if an audit is requested by the affirmative vote of in excess of fifty percent (50%) of the Voting Interests (as defined in paragraph 12.7.1, below) of the Working Interest Owners, after excluding the Voting Interest of the Unit Operator, the expense of said audit shall be borne proportionately by all Working Interest Owners except the Unit Operator; if an audit is requested by affirmative vote of less than a majority of the Voting Interests of the Working Interest Owners, after excluding the Voting Interest of the Unit Operator, the expense of said audit shall be borne proportionately by those Working Interest Owners requesting the audit; and



- c. Unit Operator shall have not less than thirty (30) days written notice of an audit.
- 12.5.8 Inventories. The taking of periodic inventories under the terms of Exhibit D.
- 12.5.9 Assignment to Committees. The appointment of committees to study any problems in connection with Unit Operations.
- 12.5.10 Removal of Unit Operator. The removal of Unit Operator and the selection of a successor in accordance with the provisions of this Plan of Unitization.
- 12.5.11 Adjustment of Investments. The adjustment of investments.
- 12.5.12 Termination. The termination of Unit Operations and the Plan of Unitization.
- 12.6 Meeting of Operating Committee. Unless otherwise agreed to by the Operating Committee, there shall be an annual meeting of the Operating Committee on the first Tuesday of each December. Additional special meetings of the Operating Committee may be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners. No special meeting, including the Organizational Meeting, shall be called on less than ten (10) days advance written notice, with a proposed agenda for the meeting attached to such notice. The Operating Committee shall have the right to amend items included on the agenda. Minutes shall be made of all meetings of the Operating Committee and kept as part of the permanent records of the Unit. Such minutes need not be a verbatim record but shall include the action taken on all matters voted upon in the meeting and a record of all poll votes taken since the previous meeting. A copy of the minutes of each meeting shall be mailed to each member of the Operating Committee within a reasonable time after the meeting.
- 12.7 Voting Procedure. The Operating Committee shall decide all matters coming before it as follows:
  - 12.7.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation (herein referred to as "Voting Interest").
  - 12.7.2 Vote Required - Generally. Unless otherwise specifically provided here, all matters shall be decided by a simple majority vote.
  - 12.7.3 Vote at Meeting by Non-Attending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote by letter, telecopy, telegram, facsimile transmission or electronic mail (email) addressed to the representative of Unit Operator if its vote is received by Unit Operator prior to the vote on the item. Any Working Interest

Owner may also have its interest voted at meetings by granting a legally binding written proxy to another Working Interest Owner, provided an original of said proxy is provided to Unit Operator prior to the meeting.

- 12.7.4 Poll Votes. The Operating Committee may vote on and decide, by letter, telecopy, telegram, facsimile transmission or electronic mail (email) any matter submitted in writing to the members of the Operating Committee. Unit Operator will give prompt notice of the results of the voting to all members of the Operating Committee.
- 12.8 Non-Liability. No member of the Operating Committee, or any other committee, shall be individually liable or individually responsible for any act, error, default or omission as a member of any such committee except for willful misconduct.

### **ARTICLE 13 - INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS**

- 13.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Plan of Unitization.
- 13.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:
- 13.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto, at the sole risk and expense of the Working Interest Owner seeking such access.
- 13.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests such information.

### **ARTICLE 14 - UNIT OPERATOR**

- 14.1 Unit Operator: Twisted Oak Operating, LLC is hereby designated as Unit Operator.
- 14.2 Resignation or Removal:
- 14.2.1 Resignation. Unit Operator may resign at any time.
- 14.2.2 Removal For Cause. The Operating Committee may remove Unit Operator for good cause by the affirmative vote of Lessees having at least sixty-five percent (65%) of the Voting Interest remaining after

excluding the Voting Interest of Unit Operator from the total Voting Interest of the Unit; provided, however, that such remaining Voting Interest, after so excluding the Voting Interest of Unit Operator, is at least twenty-five percent (25%) of the total Voting Interest of the Unit. For the purposes hereof, the term “good cause” means gross negligence or willful misconduct, and also includes the material breach of fiduciary duty or duties as Unit Operator or the inability to materially perform obligations under this Plan of Unitization.

- 14.2.3 Removal without Cause. The Operating Committee may remove Unit Operator without good cause by the affirmative vote of Lessees having at least ninety percent (90%) of the Voting Interest remaining after excluding the Voting Interest of Unit Operator from the total Voting Interest of the Unit; provided, however, that such remaining Voting Interest, after so excluding the Voting Interest of Unit Operator, is at least seventy-five percent (75%) of the total Voting Interest of the Unit.
- 14.2.4 Release of Obligations. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of three (3) months after such resignation or removal unless and until a successor Unit Operator has taken over the Unit Operations prior to the expiration of such period.
- 14.3 Selection of Successor: Upon the resignation or removal of a Unit Operator, the Operating Committee shall select a successor Unit Operator. If the Unit Operator that is removed fails to vote or votes only to succeed itself, the successor Unit Operator may be selected by the affirmative vote of two or more Lessees having at least fifty-one percent (51%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed.
- 14.4 Agreements by Unit Operator: If a Unit Operator is replaced with a successor Unit Operator, all surface use agreements, easements, damage agreements and other contracts and agreements entered into by the Unit Operator for the purpose of Unit Operations shall be transferred by the preceding Unit Operator to the successor Unit Operator.

## **ARTICLE 15 - AUTHORITIES AND DUTIES OF UNIT OPERATOR**

- 15.1 Exclusive Right to Operate Unit. Subject to the provisions of this Plan of Unitization, the Commission Order approving the Unit and this Plan of Unitization, the laws of this State and the supervision, direction and instructions from the Operating Committee, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.
- 15.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar

circumstances. Unit Operator shall freely consult with the Operating Committee and keep it informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages unless such damages result from Unit Operator's gross negligence or willful misconduct.

- 15.3 Liens and Encumbrance. Unit Operator shall endeavor to keep the lands and leases in the Unit Area free from all liens and encumbrances occasioned by or resulting from Unit Operations, except the liens and security interest of Unit, Unit Operator, and other Working Interest Owners granted hereunder. Provided, however, this provision does not prohibit any Working Interest Owner from granting any lien or security interest on its interest in the Unit, with any such lien or security interest to be subject to and to have priority behind the first and prior lien provided for in Article 19.9 of this Plan of Unitization.
- 15.4 Employees. The number of employees and contractors used by Unit Operator in conducting Unit Operations, including the selection of employees and contractors and their hours of labor and compensation, shall be determined by Unit Operator.
- 15.5 Records. Unit Operator shall keep accurate and correct books, accounts, and records of Unit Operations. These shall include the full and complete set of original well and production files, including without limitation all engineering, geological, land, contract, and accounting files and records, which shall be the property of the Unit and not Unit Operator.
- 15.6 Reports to Working Interest Owners. Unit Operator shall furnish to Working Interest Owners monthly production and injection reports and other reports of Unit Operations as prescribed by the Operating Committee.
- 15.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.
- 15.8 Engineering and Geological Information. Unit Operator shall furnish to Working Interest Owners, upon written request, and at Unit expense, copies of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations subsequent to the Effective Date.
- 15.9 Expenditures. Unit Operator is authorized to make all expenditures for normal or recurring operating expenses and other single expenditures not in excess of One Hundred Thousand Dollars (\$100,000) without prior approval of the Operating Committee. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as, in its sole opinion, are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as reasonably possible, but no later than 72 hours after the emergency is identified by Unit Operator, the nature of the emergency, the action taken, and the estimated cost of the action taken, including any damage settlements entered into with affected parties. The Unit Operator's receipt of an approved Authorization of Expenditure

("AFE") from at least sixty-five percent (65%) of the Working Interest owners shall constitute Operating Committee approval for expenditures in excess of One Hundred Thousand Dollars (\$100,000).

- 15.10 Disposal of Unit Property. Unit Operator is empowered to sell or otherwise dispose of any surplus Unit Equipment, without prior approval of the Operating Committee, if the current list price of new equipment similar thereto is less than One Hundred Thousand Dollars (\$100,000).
- 15.11 Wells Drilled by Unit Operator. All costs associated with wells drilled by Unit Operator shall be at the rates prevailing in the area as best determined by Unit Operator. Unit Operator may not employ its own tools and equipment, unless approved and authorized by the Operating Committee.
- 15.12 Mathematical Errors. Unit Operator is empowered to correct any mathematical errors which might exist in the exhibits to this Plan of Unitization, which might be discovered within two (2) years of the Effective Date.
- 15.13 Indemnities. As to any contract executed by Unit Operator with an independent contractor covering operations or services to be performed in connection with Unit Operations, Unit Operator shall use best efforts to ensure that any indemnification provision in favor of Unit Operator contained therein shall extend to and inure to the benefit of each Working Interest Owner in the same manner as Unit Operator.
- 15.14 Restoration of Surface Conditions Existing Prior to Unitization. With respect to any wells, surface facilities, surface leases and lands contributed by any Working Interest Owner to the Unit, Unit Operator may require said Working Interest Owner to perform an environmental site assessment. Should any deficiency be found, said Working Interest Owner will perform any repairs, maintenance and restoration work necessary to correct or remove such deficiency which existed prior to the Effective Date so as to restore such surface to a condition acceptable to the Operating Committee and all appropriate governmental regulatory bodies. If the Working Interest Owner has not completed said work within ninety (90) days after notification by Unit Operator, then Unit Operator shall be authorized to perform the necessary restoration. The cost of any such work to restore such surface to a condition that is acceptable to the Operating Committee and any appropriate governmental regulatory body shall be borne entirely by the Working Interest Owner or Owners who contributed such property or lands to the Unit; provided, however, that any repairs, maintenance or restoration work charged to the original Working Interest Owner or Owners who contributed such property or lands must be performed within one (1) year after discovery of the deficiency, and must further be in compliance with the requirements of the appropriate governmental regulatory body.
- 15.15 Contracts for Sale of Unitized Substances. Pursuant to time limits and other limitations of Article 5.6, Unit Operator may make such contracts as necessary for the sale of Unitized Substances not taken in-kind.

**ARTICLE 16 -  
TAXES**

- 16.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all real and personal property of each Working Interest Owner used or held by Unit Operator in Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be charged to the joint account when assessed and paid by Unit Operator when due; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of one-eighth (1/8) royalty, such Working Interest Owner shall be given a credit for the reduction in taxes resulting therefrom.
- 16.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, excise, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

**ARTICLE 17 -  
INSURANCE**

- 17.1 Insurance. Unit Operator, with respect to Unit Operations, shall do the following:
- 17.1.1 Workmen's Compensation Laws. Comply with applicable workmen's compensation laws.
- 17.1.2 Contractors and Subcontractors. Require that each contractor and subcontractor engaged in Unit Operations comply with applicable workmen's compensation laws.
- 17.1.3 Insurance Limits. Carry or provide such other insurance as set forth in Exhibit E.

**ARTICLE 18 -  
ADJUSTMENTS OF INVESTMENTS**

- 18.1 Personal Property Taken Over. As of the Effective Date, each Working Interest Owner shall deliver to Unit Operator the following:
- 18.1.1 Wells. All wells within the Unit Area that are or have been completed in some portion of the Unitized Formation and the casing therein to the depth of the base of the Unitized Formation or total casing depth, whichever is the shallower depth.
- 18.1.2 Well and Lease Equipment. The tubing in each well, together with the wellhead connections thereon and all rods, pipe, and other lease and operating equipment used in the operation of each such well which the Operating Committee determines is necessary or desirable for

conducting Unit Operations. Lease equipment is deemed to terminate at the upstream flange of gas measurement equipment owned by the gas gatherer or transporter and at the sales point of the tanks or at the downstream flange of oil measurement equipment owned by the Working Interest Owner above the connection to the oil purchaser's pipeline.

- 18.1.3 Records. A copy of all production and well records that pertain to wells that are or have been completed in some portion of the Unitized Formation and the Oklahoma Tax Commission assigned production unit reporting number and purchaser number.
- 18.2 **Inventory and Evaluation of Personal Property.** The Operating Committee shall, at Unit Expense, inventory and evaluate well and lease equipment as of the Effective Date, with said inventory to be made as close as practicable to such date. Unit Operator shall notify all Working Interest Owners at least ten (10) days prior to the date for starting the inventory and each Working Interest Owner shall have the right to designate a representative to serve on an Inventory Committee to be charged with taking the inventory. The inventory and evaluation shall include, but not be limited to, those items of equipment normally considered controllable by lessees of oil and gas properties, as indicated in the latest revision of the Material Classification Manual prepared by the Council of Petroleum Accountants Societies of North America. Well casing shall be included in the inventory and assigned a zero value.
- 18.3 **General Facilities.** The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems and office buildings necessary for Unit Operations shall be by negotiations between the owners thereof and Unit Operator, subject to the approval of the Operating Committee. There will be no adjustments for lease roads or appurtenances thereto.
- 18.4 **Investment Adjustment.** Upon approval by the Operating Committee of the inventory and evaluation, each Working Interest Owner shall be credited with the value of its interest in all personal property taken over under Article 18.1.1 and 18.1.2, and shall be charged with an amount equal to that obtained by multiplying the total value of all personal property taken over under Articles 18.1.1 and 18.1.2 by such Working Interest Owner's Unit Participation. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be an item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid within six (6) months of the Effective Date to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above. Provided, however, such credit may be offset by additional charges assessed prior to payment and such credit will be reduced thereby.

- 18.5 Ownership of Personal Property and Facilities. Each Working Interest Owner, individually, shall by virtue hereof, own an undivided interest in all personal property and facilities taken over or purchased by the Unit Operator pursuant to this Plan of Unitization. The amount of such undivided interest shall be each Working Interest Owner's Unit Participation.
- 18.6 Adjustment for Non-usable wells. All wells delivered to Unit Operator shall be, as of the Effective Date, (a) in usable physical condition as determined by the Operating Committee, and (b) completed in some portion of the Unitized Formation, which shall be physically separated or isolated in such well from formations not a part of the Unitized Formation. Unit Operator, promptly after the Effective Date, shall determine that the wells were delivered to the Unit in the condition specified herein above and shall notify the Operating Committee of any deficiencies. Within three (3) months after the Effective Date, the Operating Committee shall review any such well that is determined not to have met the requirements herein above stated when taken over, including, but not limited to, collapsed casing or junk in the well, and the Working Interest Owner or Owners who contributed such well shall be liable to the Unit for liquidated damages in an amount not to exceed Sixty Thousand Dollars (\$60,000); provided that any amount in excess of such Sixty Thousand Dollars (\$60,000) which is incurred by Unit Operator to correct such deficiencies in such well so as to meet the requirements set out above shall be treated as any other item of Unit Expense and charged to the joint account. Charges for liquidated damages to a Working Interest Owner who contributed such a non-usable well will be billed separately to such Working Interest Owner, but treated as a Unit Expense, if such liquidated damages are not paid by such Working Interest Owner as provided under Article 19 below.
- 18.7 Plugged and Abandoned Wells. The foregoing provisions of Article 18 are not applicable to any well owned by Persons involved herein and located on the Unit Area, which was plugged and abandoned prior to the Effective Date, whether or not any such well was completed in the Unitized Formation prior to being plugged and abandoned. If it is determined by the Operating Committee within twelve (12) months after the Effective Date that any such plugged and abandoned well is necessary or desirable for Unit Operations, then such well and all casing therein and all available production records and well records therefor shall be delivered to Unit Operator for Unit Operations, but there shall be no evaluation thereof or investment adjustment with respect thereto.
- 18.8 Dual Completions. Unless given special approval by the Operating Committee, any Working Interest Owner who contributes a well completed in a non-unitized formation must isolate the non-unitized formation prior to the Effective Date, subject to Article 20.2 of this Plan of Unitization.



**ARTICLE 19 -  
UNIT EXPENSE**

- 19.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expense. All charges, credits and accounting for Unit Expense shall be in accordance with Exhibit D. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense. Except as otherwise provided herein, each Working Interest Owner's share of Unit Expense shall be calculated based on such Working Interest Owner's Unit Participation. Pre-Unit Expenses shall also be treated as Unit Expense. If a Prior Non-Participating Lessee elects to participate in the Unit, it shall be charged with and be responsible for the payment of its share of Unit Expense charged against a Tract in the same proportion that it would be obligated or responsible for the payment of the costs and expenses of operating such Tract in the absence of unitization after the interest of such Prior Non-Participating Lessee reverts to it under the agreement applicable thereto, including the recovery of any non-consent penalties as provided by any operating agreement governing such Tract or the compliance with any other requirements in the applicable reversion agreement. Such obligation and responsibility to pay such Prior Non-Participating Lessee's share of Unit Expense attributable to such Tract shall accrue and commence upon election to participate in the Unit, notwithstanding that such Prior Non-Participating Lessee shall not be entitled to receive a share of Unitized Substances attributable to such Tract until the interest of such Prior Non-Participating Lessee reverts to it under the applicable reversion agreement, including any applicable operating agreement.
- 19.2 Budgets. Before or as soon as practical after the Effective Date, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year in which the Effective Date falls, and on or before the last day of each November thereafter, Unit Operator shall prepare a budget for the ensuing calendar year. Each such budget shall set forth the estimated Unit Expense anticipated to be incurred in each quarter, or the remaining portion thereof, for the applicable calendar year. Budgets shall be estimates only, and shall be adjusted or corrected by the Operating Committee or Unit Operator, or both, whenever an adjustment or correction is proper. A copy of each such budget and adjusted budget shall be furnished promptly upon completion thereof to each Working Interest Owner.
- 19.3 Advance Billing. Unit Operator shall have the right, without prejudice to other rights and remedies, to require Working Interest Owners to advance their respective share of estimated Unit Expense, including operating expenses, by submitting to the Working Interest Owners, on or before the fifteenth (15) day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within thirty (30) days of the date of receipt of such itemized estimate and request for payment, each Working Interest Owner shall pay to Unit Operator its share of such estimated Unit Expense. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar

month, and the accounts of the Working Interest Owners shall be adjusted accordingly.

- 19.4 **Commingling of Funds:** Any funds received by Unit Operator under this Plan of Unitization need not be segregated or maintained by Unit Operator as a separate fund, but may be commingled with Unit Operator's own funds.
- 19.5 **Non-Consent Elections:** As close as reasonably practical to the Effective Date of the Unit, and except as provided in this paragraph, each Working Interest Owner (including unleased mineral owner's) shall have the opportunity to elect to participate in the entire cost of forming, installing, developing and operating the Unit. Notwithstanding such right to participate in the development of the Unit, any Working Interest Owner who, as of the Effective Date, is indebted to the Unit Operator for unpaid joint interest billings for expenses related to wells located within in the Unit Area, shall not be entitled to participate in the Unit development plan unless such Working Interest Owner pays all unpaid joint interest billings within the fourteen (14) day election period set forth below. Upon the approval of the Plan of Unitization by the Commission, each Working Interest Owner shall be given notice of the Effective Date of the Unit and that each Working Interest Owner may elect one of the following options **within fourteen (14) days** of the mailing of the notice:
- (i) **Participate** - to participate in the cost of the formation of the Unit and of the installation, development and operation of the Unit as authorized by the Operating Committee by agreeing to pay such Working Interest Owner's proportionate part of the actual installation, development and operation costs of the Unit as provided herein;
  - (ii) **Cash Consideration plus 1/5th Total Royalty** - to accept \$300 per acre as fair and reasonable cash consideration, such cash consideration to be paid within fifteen days after receipt of such owner's election to receive the cash option hereunder and a signed IRS Form W-9, plus a 1/5<sup>th</sup> total royalty, which shall be deemed to be an overriding or excess royalty of 7.5% of 8/8ths in addition to the statutory 1/8<sup>th</sup> royalty as defined in 52 Okla. Stat. Section 87.1; provided, however, in the event that an owner's interest is subject to a royalty, overriding royalty or other burden in excess of the normal 1/8 royalty as reference above, then such excess royalty, overriding royalty or other burden shall be charged against and shall reduce the 7.5% of 8/8ths overriding or excess royalty set forth above. In the event that an owner's interest has royalty, overriding royalty or other burdens that, in the aggregate, exceed the 1/5<sup>th</sup> total royalty described above, then such owner shall be deemed to have elected the non-consent option set forth in subparagraph 19.5(iii) below;
  - (iii) **Reversionary Interest After Non-Consent Cost Recovery Period** - to relinquish such owner's rights in the Unit to the Consenting Working

Interest Owners who elect to participate in the costs of forming, developing and operating the Unit, until such time as the Consenting Working Interest Owners recover from the proceeds attributable to the Non-Consenting Owner's interest the cost recovery percentages set forth in paragraph 19.5.1 below.

The notice to be provided to each Working Interest Owner shall have attached thereto the Unit Operator's initial development plan and associated AFEs for work to be commenced within the first twelve (12) months after the Effective Date. Any Working Interest Owner desiring to participate in the cost of the formation of the Unit, the initial development plan and associated AFEs and the subsequent installation, development and operation of the Unit as authorized by the Operating Committee must notify Unit Operator in writing of said Working Interest Owner's decision to proceed as a Consenting Working Interest Owner within 14 days of the mailing of said notice. Failure to notify Unit Operator in writing within the prescribed time of such Working Interest Owner's election to participate shall be deemed an election by such Working Interest Owner not to participate in the costs of forming, installing, developing and operating the Unit, and such Working Interest Owner shall be deemed a Non-Consenting Working Interest Owner under paragraph 19.5(iii) above. If fewer than all Working Interest Owners elect to participate in the Unit, the Operating Committee at its election may withdraw its approval of the Unit and this Plan of Unitization if in the Operating Committee's opinion there is insufficient participation by the Consenting Working Interest Owners. In such event, the Operating Committee shall promptly notify all Consenting Working Interest Owners and Non-Consenting Working Interest Owners of the Operating Committee's decision to withdraw its approval of the Unit and this Plan of Unitization. If fewer than all Working Interest Owners elect to participate in the Unit, but the Operating Committee elects to proceed with the Unit and this Plan of Unitization, BTE Energy, LLC, as the plan sponsor and a Consenting Working Interest Owner, shall carry and pay the costs of all Non-Consenting Working Interest Owners, subject to the recovery of costs set forth in paragraph 19.5.1 below.

- 19.5.1 Recovery of Costs: BTE Energy, LLC, as the party who will carry the costs of the Non-Consenting Working Interest Owners, shall own and be entitled to receive all of such Non-Consenting Working Interest Owners' interests in the Unit and share of production and proceeds therefrom and associated right to vote, until the proceeds from such Non-Consenting Working Interest Owners' share of the Unitized Substances, after deducting production taxes, severance taxes, excise taxes, royalty, overriding royalty, and other burdens on said interests, shall equal the total of the following:
- a. One hundred percent (100%) of each such Non-Consenting Working Interest Owner's share of the Unit Expense for aboveground surface equipment beyond the wellhead connections, (including, but not limited to, stock tanks,

separators, treaters, pumping equipment and piping), plus one hundred percent (100%) of each such Non-Consenting Working Interest Owner's share of the Unit Expense for normal or recurring operating expenses of the Unit, with such operating expenses continuing until each such Non-Consenting Working Interest Owner's relinquished interest shall revert to it and with all such Unit Expense bearing interest monthly at eighteen percent (18%) per annum compounded monthly or the maximum interest rate allowed by law, whichever is the lesser.

- b. Three hundred percent (300%) of each such Non-Consenting Working Interest Owner's share of the Unit Expense associated with drilling wells in the Unit Area, including, but not limited to, Unit Expense associated with staking, preparing a well site, rigging up or drilling and reworking, deepening, plugging back, testing and completing wells in the Unit Area, and otherwise increasing production capacity of the Unit and any other downhole well expenses necessary for the commencement, continuation or improvement of Unit Operations; and
- c. Three hundred percent (300%) of each such Non-Consenting Working Interest Owner's share of the Unit Expense associated with underground pipeline systems, Outside Substances, and the injection thereof, and any other incurred Unit Expenses which are not recoupable in the further development and operation of the Unit, including Pre-Unit Expenses and the cost of newly acquired underground equipment in a well to and including the wellhead connections, all of which would have been chargeable to such Non-Consenting Working Interest Owner if it had participated therein.

Upon receipt by the Consenting Working Interest Owners of the total amounts set forth above, the interest of a Non-Consenting Working Interest Owner shall revert back to such Non-Consenting Working Interest Owner, who then shall be entitled to all rights and be subject to all obligations hereunder as a Working Interest Owner.

- 19.5.2 Delivery of Proceeds During Non-Consent: During any period of time that any Working Interest Owner has elected, or is otherwise deemed to be a Non-Consenting Working Interest Owner, BTE Energy, LLC, as the Consenting Working Interest Owner that will acquire such Non-Consenting Working Interest Owner's interest shall be entitled to collect and receive from the purchaser or purchasers one hundred percent of the proceeds from such Non-Consenting Working Interest Owner's share of the Unitized Substances. The Unit Operator shall submit to said purchaser or purchasers a written statement of the amounts to be received by BTE Energy, LLC from the interest of such Non-Consenting

Working Interest Owner. Each purchaser shall be entitled to rely upon the Unit Operator's statement concerning the status of the recovery of the proceeds due to BTE Energy, LLC under this Article 19 from the interests of such Non-Consenting Working Interest Owners, and the amounts to be received by BTE Energy, LLC, and shall make any payments required to pay said amounts directly to BTE Energy, LLC. Said purchaser or purchasers shall be protected and held harmless from claims or actions by Non-Consenting Working Interest Owners which may result from payments made directly to BTE Energy, LLC of any amount due hereunder. Each Working Interest Owner shall execute any division order, transfer order or other document or instrument necessary to facilitate the payment of any Non-Consenting Working Interest Owner's share of proceeds of production to any Consenting Working Interest Owner until all monies due Consenting Working Interest Owners under this Article have been paid in full. Any Non-Consenting Working Interest Owner shall have the right to pay the amounts due as set forth above (including the non-consent penalty amounts) at any time and upon payment in full thereof, the interest of such Non-Consenting Working Interest Owner shall revert back to said Working Interest Owner who shall be entitled to all rights and subject to all obligations hereunder as a Consenting Working Interest Owner.

- 19.6 Non-Consent Election of Prior Non-Participating Lessee: A Prior Non-Participating Lessee shall be allowed to elect whether to participate in the cost of forming, installing, developing and operating the Unit under the same terms and conditions as provided in Article 19.5, notwithstanding that it shall not be entitled to receive a share of Unitized Substances attributable to any Tract in connection with which it previously relinquished its working interest by electing not to participate under an operating agreement or other agreement covering such interest until such relinquished working interest is reacquired by recovery of any applicable non-consent penalties or the completion or satisfaction of any other applicable conditions as provided in any such operating agreement or other agreement governing such working interest. However, if a Prior Non-Participating Lessee elects not to participate in the Unit in accordance with Article 19.5, each Person currently entitled to production attributable to the interest of the Prior Non-Participating Lessee shall be notified in writing and have the option of electing to pay all Unit Expense attributable to such Person's current beneficial share of the working interest of the Non-Consenting Prior Non-Participating Lessee in the Tract and thereby be entitled to receive the share of Unitized Substances attributable to that portion of the working interest of such Non-Consenting Prior Non-Participating Lessee in such Tract until recovery of the non-consent penalties as provided in Article 19.5 in addition to recovery of any applicable non-consent penalties or the completion or satisfaction of any other applicable conditions as provided in any such operating agreement or other agreement governing such working interest. Such option shall be exercised within 14 days after the receipt of such written notice by the Person currently entitled to production attributable to the interest of the Prior Non-Participating Lessee. Failure by such Person currently entitled to

production attributable to the interest of such Prior Non-Participating Lessee to notify Unit Operator in writing within the prescribed time shall be deemed to be an election by such Person not to exercise such option. If such option is not exercised, the working interest shall be treated as a non-consent interest as provided in Article 19.5.

- 19.7 Unpaid Unit Expense: Subject to the provisions of Article 19.7.1 below, if any Working Interest Owner fails to meet promptly its financial obligations in connection with the Unit, such Working Interest Owner shall be in default, and the unpaid balance of its share of Unit Expense shall be borne and paid by all non-defaulting Working Interest Owners in the proportion that the Unit Participation of each bears to the total of such Unit Participation of all such Working Interest Owners. Such unpaid amount shall bear interest monthly at eighteen percent (18%) per annum compounded monthly or the maximum interest rate allowed by law, whichever is the lesser, until paid. Non-defaulting Working Interest Owners so paying shall be reimbursed therefor, together with interest thereon, when the amount so carried and the interest thereon are collected from the defaulting Working Interest Owner. The amount carried shall be due and payable out of the proceeds from the defaulting Working Interest Owner's share of Unitized Substances, including overriding royalty interests, oil and gas payments, or other interest in excess of the respective royalty interest to which such Working Interest Owner's interest is subject. During the time that any Working Interest Owner fails to pay its share of the Unit Expense, the Unit Operator shall be entitled to collect and receive from the purchaser, or purchasers, the proceeds from such defaulting Working Interest Owner's share of the Unitized Substances. All credits to any such defaulting Working Interest Owner on account of the sale or other disposal of Unit Equipment, or otherwise, shall also be applied against the unpaid share of Unit Expense charged against such Working Interest Owner. Unit Operator shall make reasonable efforts to collect proceeds from a defaulting Working Interest Owner prior to billing non-defaulting Working Interest Owners for the amount owed by any such defaulting Working Interest Owner. When a Working Interest Owner's obligation is in excess of \$1,000, these collection activities may include filing of lien(s) and the initiation of legal proceedings. All costs incurred in collection of proceeds shall be a Unit Expense.

- 19.7.1 Non-Consent Upon Failure to Pay: If any Consenting Working Interest Owner fails to pay its share of Unit Expense when due, the Unit Operator shall, at its discretion after consulting the non-defaulting Working Interest Owners who paid the defaulting Working Interest Owner's share of Unit Expenses, be entitled to send to such defaulting Consenting Working Interest Owner a notice advising the defaulting Consenting Working Interest Owner that the Unit Operator intends to invoke the non-consent provisions of Article 19.5.1 of this Plan unless payment of the past due amounts is submitted to the Unit Operator within ten (10) days of the delivery of such notice. A failure by a defaulting Consenting Working Interest Owner to submit payment for such past due amounts within such time shall confer upon the Unit Operator the right, but not

the obligation, to treat such failure to pay as an election by the defaulting Consenting Working Interest Owner to be treated as a Non-Consenting Working Interest Owner in accordance with the terms of Articles 19.5, 19.5.1 and 19.5.2 hereof. In such event, the non-defaulting Working Interest Owners who paid the defaulting Working Interest Owner's share of Unit Expenses shall own and be entitled to receive all of such defaulting Working Interest Owner's interest in the Unit and share of production proceeds therefrom and associated right to vote, until the proceeds from such defaulting Working Interest Owner's share of the Unitized Substances, after deducting production taxes, severance taxes, excise taxes, royalty, overriding royalty, and other burdens on said interests, shall satisfy the non-consent penalties set forth in paragraph 19.5.1 (a), (b) and (c). If any Working Interest Owner shall, after executing, ratifying or approving this Plan of Unitization or after the date of approval of this Plan of Unitization by the Commission, whichever is the earliest to occur, create an overriding royalty, production payment, net proceeds interest, net profits interest, carried interest, carved-out interest or any other interest payable out of production attributable to its Working Interest, such burden shall be deemed a "New Interest". The Working Interest Owner creating such New Interest (the "Burdened Party") shall alone assume, bear, pay and discharge the New Interest and shall indemnify, defend and hold harmless the other Persons involved herein from and against liability therefor. Further, if a Burdened Party fails to pay, when due, any Unit Expense chargeable to such Working Interest Owner under this Plan of Unitization, the provisions of Article 19.7, above, shall be enforceable against the New Interest in the same manner as such provisions are enforceable against the Working Interest of the Burdened Party. If the Burdened Party is required under this Plan of Unitization, including, but not limited to, Article 19.5 of this Plan of Unitization, to assign or relinquish to any other Person or Persons involved herein, all or any portion of its Working Interest, or the production or proceeds attributable thereto, or both, said other Person or Persons shall receive said assigned or relinquished Working Interest, or said assigned or relinquished production and proceeds, or both, free and clear of said New Interest, and the Burdened Party shall indemnify and hold harmless said other Person or Persons from any and all claims and demands for payment asserted by owners of the New Interest.

- 19.8 Lien and Security Interest. Each Working Interest Owner grants to Unit Operator and each other Working Interest Owner a first and prior lien upon such Working Interest Owner's Oil and Gas Rights in each Tract, and a security interest in such Working Interest Owner's share of Unitized Substances when extracted and its interest in all Unit Equipment, to secure payment of such Working Interest Owner's share of Unit Expense, together with any penalties and/or interest thereon as specified in this Plan of Unitization. Similarly, Unit Operator grants a lien and security interest to Working Interest Owners to secure payment of Unit Operator's

share of Unit Expense. To the extent that Unit Operator or any Working Interest Owner has a security interest under the Uniform Commercial Code of the State of Oklahoma, Unit Operator or Working Interest Owners shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser or purchasers the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest and any applicable penalty, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default.

- 19.9 Interest Rate. Any interest rate stated or referenced in any provision of this Plan of Unitization will apply only if the applicable rate does not exceed the maximum legal interest rate permitted under Oklahoma law. If such stated or referenced interest rate exceeds the maximum legal interest rate, the maximum legal interest rate will apply.
- 19.10 Attorney's Fees and Costs. In the event attorneys' fees and other costs are incurred by Unit Operator in the enforcement of a lien or collection of an unpaid and past due account of any Working Interest Owner, said Working Interest Owner shall bear the cost of said attorneys' fees and other costs. In the event Unit Operator is unable to collect said attorney's fees and other costs from the responsible Working Interest Owner, any unpaid amounts shall be borne and paid by the non-defaulting Working Interest Owners as provided in this Article.

## **ARTICLE 20 - NON-UNITIZED FORMATIONS**

- 20.1 Right to Operate. Any Working Interest Owner that now has, or hereafter acquires, the right to drill into and produce oil, gas, or other minerals from a formation underlying the Unit Area other than the Unitized Formation shall have the right to so drill into and produce from such other formation notwithstanding this Plan of Unitization. In exercising such right, however, the Working Interest Owner shall use reasonable care to prevent surface or subsurface interference with Unit Operations. No Working Interest Owner, other than Unit Operator, shall produce Unitized Substances through any well now or hereafter located in the Unit Area. If any Working Interest Owner drills any well in the Unit Area, including, but not limited to, any well drilled into or through the Unitized Formation, the Unitized Formation in such well shall be protected in a manner satisfactory to the Operating Committee so that the production of Unitized Substances will not be adversely affected.



- 20.2 Multiple Completions. Any Working Interest Owner who contributes a well completed in a non-unitized formation shall be obligated to seal off, in a manner satisfactory to the Operating Committee, such non-unitized formation in such well prior to such well being taken over by the Unit, with the cost of such work to so seal off such non-unitized formation to be borne by the Working Interest Owners with the rights in such well in and to such non-unitized formation. Provided, however, such a well may be dually and separately completed in such non-unitized formation and the Unitized Formation if such dual and separate completion is approved by the Operating Committee, and Unit Operator and all of the owners in such well reach a written agreement concerning the operatorship of such well and such dual and separate completion, including the manner in which such completion is to be accomplished and monitored, with such agreement to provide that in the event there is a conflict of interest between the Unit and any such owner concerning a dually and separately completed well or the operation thereof, the interest of the Unit shall prevail and Unit Operator may require such non-unitized formation to be sealed off in such well.

## **ARTICLE 21 - LIABILITY, CLAIMS AND SUITS**

- 21.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners. Each party hereto shall be individually responsible for its own obligations as herein provided.
- 21.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Fifty Thousand Dollars (\$50,000), and if the payment is in complete settlement of such claim or suit. If the amount required to settle any such claim or suit exceeds the above amount, the Operating Committee shall determine the further handling of such claim or suit. Any cost or expense of handling, settling, or otherwise discharging such claim or suit shall be treated as a Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no effective control because of the rights given Working Interest Owners and Unit Operator by this Plan of Unitization, the Working Interest Owner shall immediately notify Unit Operator and the claim or suit shall be treated as any other claim or suit involving Unit Operations.
- 21.3 Notice of Damages, Claims and Suits to Working Interest Owners. Unit Operator shall report to Working Interest Owners, as soon as practical after each of the following occurrences: (a) damages or losses to Unit equipment exceeding Fifty Thousand Dollars (\$50,000) in value; and (b) accidents, occurrences, claims or suits involving third party bodily injury or property damage expected to exceed Fifty Thousand Dollars (\$50,000) in amount and which is not covered by insurance carried for benefit of Working Interest Owners.

**ARTICLE 22 -  
INTERNAL REVENUE PROVISION**

- 22.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this Plan of Unitization and operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Plan of Unitization and the operations hereunder are regarded as a partnership, then each of the parties hereto elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code 1986, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761-2(b). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State of Oklahoma, or any future income tax law of the United States, contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of the Code is permitted, each of the parties agrees to make such election as may be permitted or required by such laws. In making this election, each of the parties states that the income derived by such party from the operations under this Plan of Unitization can be adequately determined without the computation of partnership taxable income.

**ARTICLE 23 -  
WITHDRAWAL OF WORKING INTEREST OWNER OR TRANSFER OF TITLE**

- 23.1 Withdrawal. A Working Interest Owner, only upon the approval of the Operating Committee, may withdraw from this Plan of Unitization by transferring, with warranty of title as provided under Article 8.2 of this Plan of Unitization, to the other Working Interest Owners, all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer. The interest transferred shall be owned by the non-withdrawing Working Interest Owners, in proportion to their respective Unit Participation. The instrument of transfer shall be in a recordable form satisfactory to Unit Operator and may be delivered to Unit Operator on behalf of the transferees. The non-withdrawing Working Interest Owners, in proportion to the respective interests so acquired, shall pay the withdrawing Working Interest Owner, for its interest in Unit Equipment, the salvage value thereof less its share

of the estimated costs of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations, as determined by the Operating Committee. In the event such withdrawing Working Interest Owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing Working Interest Owner, as a condition precedent to withdrawal, shall pay Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency. Within sixty (60) days after delivery of the transfer, Unit Operator shall render a final statement to the withdrawing Working Interest Owner for its share of Unit Expenses, including any deficiency in salvage value, as determined by the Operating Committee, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing Working Interest Owner has been paid in full within thirty (30) days after the rendering of such final statement by Unit Operator, the transfer shall be effective the first day of the month following receipt by Unit Operator of such payment in full and, as of such effective date, the withdrawing Working Interest Owner shall be relieved from all further obligations and liabilities hereunder, and the rights of the withdrawing Working Interest Owner hereunder shall cease insofar as they existed by virtue of the interest transferred.

23.2 Maintenance of Uniform Interest. For the purpose of maintaining uniformity of ownership in the designated Unit Area covered by this Plan of Unitization, and notwithstanding any other provisions in this Plan of Unitization to the contrary, no Person involved herein shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment, production and proceeds unless such disposition covers either:

1. The entire interest of such Person in all leases, equipment, Production and proceeds; or
2. An equal undivided interest of such Person in all leases, equipment, production and proceeds in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any Person involved herein shall be made expressly subject to this Plan of Unitization, and shall be made without prejudice to the rights of the other Persons involved herein. If, at any time the interest of any Person involved herein is divided among and owned by four or more co-owners, Unit Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay each such co-owner's share of the Unit Expenses, and to deal generally with, and with power to bind, such co-owners of such interests within the scope of Unit Operations; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Unit Area and they shall have the right to receive, separately, payment of the proceeds from the sale of such production.

**ARTICLE 24 -  
ABANDONMENT OF WELLS**

- 24.1 Right of Former Owners. If the Operating Committee decides to permanently abandon any well within the Unit Area prior to termination of the Plan of Unitization, Unit Operator shall give written notice thereof to each Working Interest Owner in the Tract on which the well is located, and each such Working Interest Owner shall have the option for a period of ninety (90) days after the receipt of such notice to notify Unit Operator in writing of such Working Interest Owner's election not to abandon such well and to take over and own such well. Within fifteen (15) days after the Working Interest Owners in such Tract have notified Unit Operator of their elections not to abandon such well and to take over and own such well, they shall pay Unit Operator, for credit to the joint account, the amount determined by the Operating Committee to be the net salvage value of the casing and equipment in and on such well. The Working Interest Owners in the Tract, who elected not to abandon such well and to take over and own such well, shall seal off the Unitized Formation in such Well in a manner satisfactory to the Operating Committee; and such Working Interest Owners shall assume the obligation and liability for plugging such well and upon abandonment of such well, such Working Interest Owners shall plug the well in compliance with applicable laws and regulations. Such Working Interest Owners, who elected not to abandon such well and to take over and own such well, shall immediately file the necessary forms with the appropriate state and federal agencies showing the change in the operator of and the operation in such well.
- 24.2 Plugging. If all the Working Interest Owners in a Tract elect to abandon (and not take over and own) a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

**ARTICLE 25 -  
NOTICES**

- 25.1 Notices. Unless otherwise provided for in this Plan of Unitization, all notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by first class mail, electronic mail (email), facsimile transmission, personal delivery or telegram to the address of Unit Operator, Royalty Owner, Working Interest Owner and/or the representative of each Working Interest Owner on the Operating Committee. Addresses utilized in the application to the Commission for approval of this Plan of Unitization shall be deemed correct until Unit Operator is notified otherwise.
- 25.2 Notice of Transfer of Title. No change of title shall be binding on the Unit or Unit Operator until the first day of the calendar month next succeeding the date of receipt by Unit Operator of evidence satisfactory to it of such change in ownership. Each such transfer, assignment or conveyance whether so stating or not, shall operate to impose upon the Person or Persons acquiring such interest the

obligations of the predecessor in interest with respect to the interest so transferred and shall likewise operate to give and grant to the Person or Persons acquiring such interest all benefits attributable hereunder to such interest.

## **ARTICLE 26 - FORCE MAJEURE**

- 26.1 Force Majeure. All obligations imposed by this Plan of Unitization on each Person involved herein, before and after the Effective Date, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a labor dispute; fire; war; civil disturbance; act of God; by order of any court; 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, whether similar or dissimilar, beyond reasonable control of such Person. No Person involved herein shall be required against such Person's will to adjust or settle any labor dispute. Neither this Plan of Unitization 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 26.1. Any Person involved herein claiming suspension of obligations pursuant to this Article shall notify all other Persons hereto of the particular facts pertaining to its force majeure claim.

## **ARTICLE 27 - EFFECTIVE DATE**

- 27.1 Effective Date. Unit Operator shall determine, and give Working Interest Owners reasonable notice of, the Effective Date of this Plan of Unitization. The Effective Date shall not be less than fifteen (15) days from the entry of the order approving the Unit or more than six (6) months after the date when the order approving the Unit becomes final. This Plan of Unitization shall be effective as of 7:00 a.m. on the Effective Date.
- 27.2 Orders Approving Unit - When Final. The order of the Commission approving the Unit means the order or orders creating this Unit and approving this Plan of Unitization and finding that this Plan of Unitization has been signed, ratified, or approved by Working Interest Owners and Royalty Owners owning the percentage interests in the Unit Area required to make it effective. If the Commission in one order creates this Unit and approves this Plan of Unitization and in a subsequent order finds that the Working Interest Owners and Royalty Owners with the requisite percentage interests have signed, ratified or approved this Plan of Unitization, the date of the later of the two (2) such orders shall be regarded as the date of entry of the order of the Commission approving the Unit. The order of the Commission approving the Unit will be regarded as having become final when the time for appeal from the action of the Commission in regard thereto has expired, if no appeal is taken; or, if an appeal or appeals are taken, then upon final determination thereof.

- 27.3 Failure to Take Over Operations. If Unit Operator fails to commence Unit Operations on or before six (6) months after the time when the order of the Commission approving the Unit becomes final, the Unit shall be dissolved and all rights and obligations under this Plan of Unitization shall terminate, except that any and all costs and expenses incurred incident to the organization of the Unit, or preparatory to the commencement of Unit Operations, shall be borne and paid for by the Working Interest Owners, in proportion that the Unit Participation of each such Working Interest Owner bears to the total Unit Participation of all such Working Interest Owners.
- 27.4 Certificate of Effectiveness. Unit Operator, within thirty (30) days after the Effective Date, shall file with the County Clerk of McClain County, Oklahoma, and the Secretary or Court Clerk of the Commission a Certificate of Effectiveness signed by the Chairman of the Operating Committee, setting forth:
- a. The hour, day and year on which the Unit became effective and Unit Operations were commenced;
  - b. A description or plat of the lands included within the Unit Area; and
  - c. The order number and date of the order of the Commission approving the Unit.

**ARTICLE 28 -**  
**TERM AND ABANDONMENT OF OPERATIONS**

- 28.1 Term. This Plan of Unitization shall continue in effect until the Operating Committee by vote of at least sixty-three percent (63%) of the Voting Interest determines that Unitized Substances may no longer be produced in paying quantities and that Unit Operations are no longer feasible, and thereafter until: (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 24 of this Plan of Unitization; (b) all Unit Equipment and real property acquired for the Unit have been disposed of by Unit Operator in accordance with instructions from the Operating Committee; and (c) there has been a final accounting to the Operating Committee.
- 28.2 Effect of Termination. Upon termination of this Plan of Unitization, the development and operation of the Unitized Formation as a unit shall cease. The relationships among owners of Oil and Gas Rights shall thereafter be governed by the terms and provisions of the leases, contracts and other instruments, not including this Plan of Unitization, affecting the separate Tracts. Upon termination of this Plan of Unitization in the manner set out herein, the Royalty Owners hereby grant and convey a ninety (90) day extension of their leases, contracts and other instruments covering the lands which are committed to the Unit Area to permit the Working Interest Owners owning Oil and Gas Rights in such lands to resume operations thereon, and if so resumed, such leases, contracts and other

instruments shall remain in force and effect in accordance with the provisions thereof.

- 28.3 Salvaging Equipment Upon Termination. If not otherwise granted by the leases, contracts or other instruments affecting the separate Tracts, Unit Operator shall have a period of nine (9) months after the date of termination of this Plan of Unitization within which to salvage and remove Unit Equipment as specified by Article 28.4 below.
- 28.4 Abandonment of Operations. Upon termination of this Plan of Unitization, the following will occur:
- 28.4.1 Right to Operate. Working Interest Owners of any Tract who desire to assume operations of any well located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value of the casing and equipment in and on such well, as determined by the Operating Committee, and by agreeing that upon abandonment of such well to properly plug such well in compliance with applicable laws and regulations.
- 28.4.2 Salvaging Wells and Unit Equipment. Unit Operator shall salvage the Unit Equipment and as much of the casing and equipment in or on wells not taken over by Working Interest Owners in the separate Tracts as may economically and reasonably be salvaged, and shall properly plug and abandon such wells in compliance with applicable laws and regulations. Unit Operator shall have nine (9) months after the termination of this Plan of Unitization or after the cessation of the production of Unitized Substances, whichever is the later, within which to conduct such salvaging and plugging operations.
- 28.4.3 Cost of Salvage - Distribution of Assets. Working Interest Owners shall share in the cost of abandoning Unit Operations, including the cost of plugging wells used in Unit Operations, and of salvaging Unit Equipment, assets, and properties used in Unit Operations in proportion to their respective Unit Participation.
- 28.5 Certificate of Termination. When Unit Operations are abandoned and the Unit is terminated, Unit Operator shall file with the County Clerk of McClain County, Oklahoma, and with the Secretary or Court Clerk of the Commission, a Certificate of Termination signed by the Chairman of the Operating Committee setting forth the time and date of the termination of this Unit and this Plan of Unitization.
- 28.6 Obligation Payable After Termination. If any liability or obligation incurred prior to termination of this Unit and this Plan of Unitization shall accrue and become payable thereafter, the amount shall be borne and paid as Unit Expense in the same manner as if it had accrued prior to termination of this Unit and this Plan of Unitization.

**ARTICLE 29 -**  
**AMENDMENT OF PLAN OF UNITIZATION AND ENLARGEMENT OF UNIT**

- 29.1 Amendment and Enlargement. Any amendment of this Plan of Unitization or any enlargement of the Unit Area shall be in accordance with the provisions of Section 287.10, Title 52, Oklahoma Statutes, or any amendment thereto.

**ARTICLE 30 -**  
**SIGNING, RATIFICATION, OR APPROVAL**

- 30.1 Original, Counterparts or Ratification. This Plan of Unitization may be signed, ratified, or approved by signing the original of this instrument, a counterpart, or other instrument adopting the provisions hereof, all with the same effect as if all Persons had signed the same instrument. Persons signing, ratifying, or approving this Plan of Unitization thereby agree and submit to all the provisions hereof.
- 30.2 Joinder in Dual Capacity. The signing, ratification, or approval of this Plan of Unitization as herein provided by any Person either as a Working Interest Owner or as a Royalty Owner shall commit to this Unit and this Plan of Unitization all interests in the Unit Area that may be owned or controlled by such Person.
- 30.3 Heirs, Devisees, Successors and Assigns. The signing, ratification, or approval of this Plan of Unitization shall be binding upon the heirs, devisees, personal representatives, successors and assigns of the Persons so signing, ratifying or approving the same.

**ARTICLE 31 -**  
**SEVERABILITY**

- 31.1 Severability. If any terms or provisions of this Plan of Unitization or any application thereof shall be invalid or unenforceable, the remaining terms and provisions of this Plan of Unitization and any other application of such terms or provisions shall not be affected thereby.

**ARTICLE 32 -**  
**NONDISCRIMINATION**

- 32.1 Nondiscrimination. In performing the duties and fulfilling the obligations under this Plan of Unitization, Unit Operator shall not engage in any conduct or practice which violates any applicable law, order or regulation prohibiting discrimination against any person by reasons of such person's race, religion, color, sex, national origin or age. Unit Operator shall comply fully with the provisions of Exhibit F attached hereto.



**ARTICLE 33 -  
GOVERNMENTAL AUTHORITY**

- 33.1 Laws and Regulations. This Plan of Unitization is subject to all applicable valid laws, rules, regulations and orders of any governmental authority having jurisdiction, including the Commission.
- 33.2 Venue and State Law. This Plan of Unitization and the rights and obligations of the parties hereunder shall be governed and construed in accordance with the laws of the State of Oklahoma, and the parties hereto do hereby submit to the jurisdiction of the Commission and the courts of the State of Oklahoma.

NOW, THEREFORE, the undersigned does hereby ratify, approve, confirm, and adopt this Plan of Unitization for the West Goldsby Osborn Unit, McClain County, Oklahoma, fully and with the same effect as if the undersigned had executed and delivered this Plan of Unitization, and does hereby unitize and pool all rights and interests of the undersigned in and to the lands situated within the Unit Area in the same manner and to the same extent as provided in this Plan of Unitization and subject to all terms, conditions, covenants, and provisions contained in this Plan of Unitization.

Signed and agreed to by the undersigned upon the date shown opposite each signature.

**OPERATOR**

**TWISTED OAK OPERATING, LLC**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**NON-OPERATORS**

**BTE ENERGY, LLC**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**CORPORATE/LLC ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, the undersigned, a Notary Public in and for said County and State, on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ personally appeared \_\_\_\_\_ to me

known to be the identical person who subscribed the name of \_\_\_\_\_,  
a corporation or limited liability company, to the within and foregoing instrument as its  
\_\_\_\_\_, and acknowledged to me that he executed the same as his free and  
voluntary act and deed, and as the free and voluntary act and deed of such corporation  
or limited liability company, for the uses and purposes therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

### **INDIVIDUAL ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, the undersigned, a Notary Public in and for said County and State, on this  
\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ personally appeared \_\_\_\_\_  
to me known to be the identical person who executed the within and foregoing instrument,  
and acknowledged to me that \_\_\_\_ executed the same as \_\_\_\_ free and voluntary act  
and deed for the uses and purpose therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

**TRUST ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, the undersigned, a Notary Public in and for said County and State, on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ personally appeared \_\_\_\_\_ to me known to be the identical person who executed the within and foregoing instrument as Trustee of the \_\_\_\_\_ Trust, and acknowledged to me that \_\_\_\_\_ executed the same as his or her free and voluntary act and deed for the uses and purpose therein set forth.

Given under my hand and seal of office the day and year last above written.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

**RATIFICATION OF PLAN OF UNITIZATION  
WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA**

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the undersigned hereby acknowledges receipt of a true and correct copy of the Plan of Unitization for the West Goldsby Osborn Unit,

WHEREAS, Exhibits A and B attached to and made a part of the Plan of Unitization identify the separately owned Tracts that will become a part of the West Goldsby Osborn Unit when the Plan of Unitization is duly approved by the Oklahoma Corporation Commission, and,

WHEREAS, the undersigned represents that the undersigned is a Lessee or Royalty Owner, or both, as defined in the Plan of Unitization, in one or more of the Tracts identified by said Exhibits A and B, and,

WHEREAS, the undersigned, being familiar with the contents thereof, desires to ratify, approve, confirm and adopt the Plan of Unitization.

NOW, THEREFORE, for the consideration stated in the Plan of Unitization and for other good and valuable consideration, the undersigned does hereby ratify, approve, confirm and adopt the Plan of Unitization, incorporated herein by reference, fully and with the same effect as if the undersigned had executed and delivered the Plan of Unitization, and, without limitation of the generality of the foregoing ratification, approval, confirmation and adoption, does hereby unitize and pool the oil and gas rights and interests of the undersigned in the same manner and to the same extent as provided in the Plan of Unitization and subject to all of the terms, conditions, covenants and provisions contained in the Plan of Unitization.

IN WITNESS WHEREOF the undersigned has executed this instrument, on the date set forth below opposite the undersigned's signature, which shall be binding upon the successors and assigns of the undersigned.

NAME

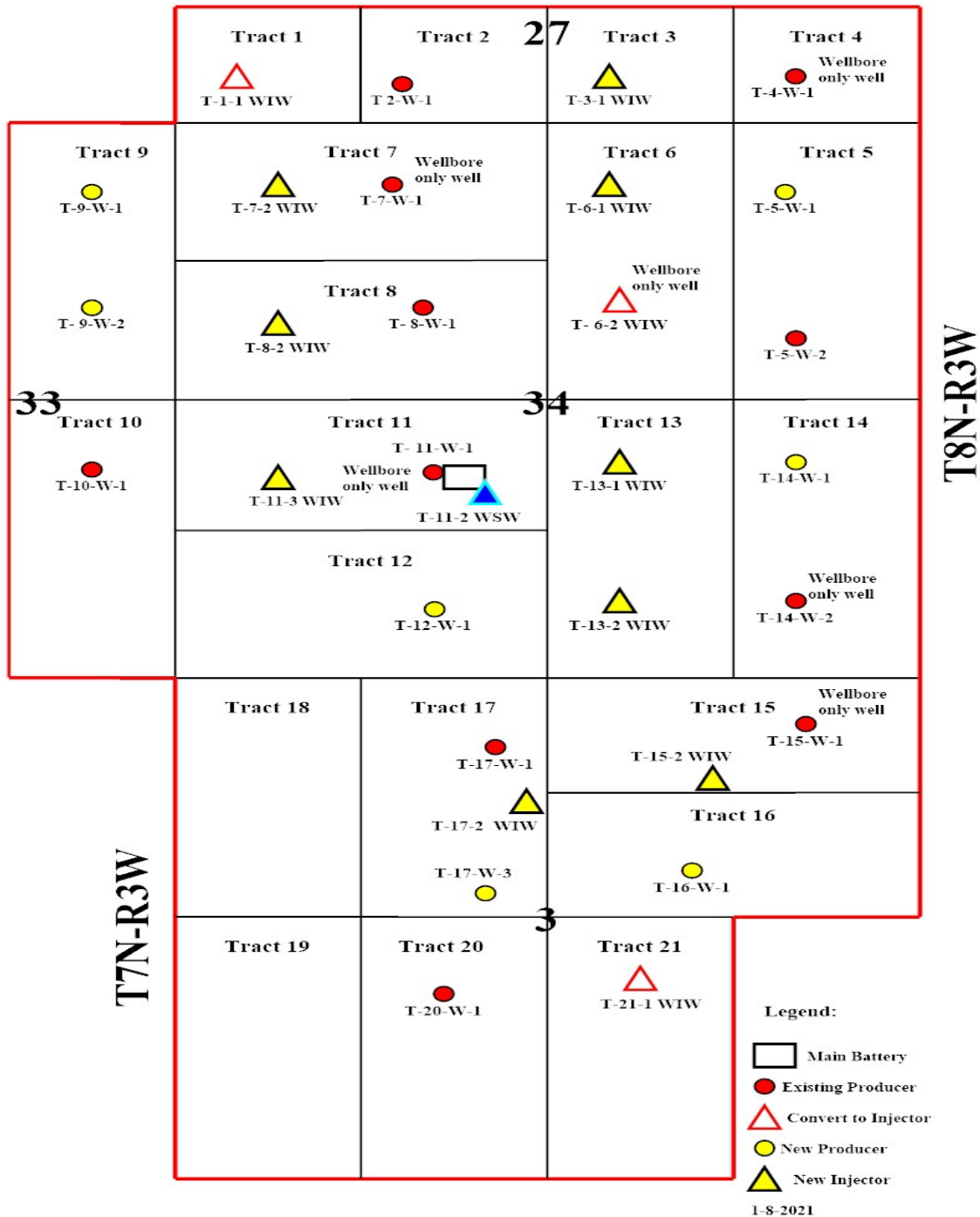
\_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

# EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THE PLAN OF UNITIZATION  
FOR THE WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA



**EXHIBIT "B"**

ATTACHED TO AND MADE A PART OF  
THE PLAN OF UNITIZATION  
FOR WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA

<b><u>TRACT DESCRIPTIONS</u></b>		<b><u>Tract Size</u></b>
Tract 1	SW SW Sec. 27-8N-3W	40 acres
Tract 2	SE SW Sec. 27-8N-3W	40 acres
Tract 3	SW SE Sec. 27-8N-3W	40 acres
Tract 4	SE SE Sec. 27-8N-3W	40 acres
Tract 5	E/2 NE Sec. 34-8N-3W	80 acres
Tract 6	W/2 NE Sec. 34-8N-3W	80 acres
Tract 7	N/2 NW Sec. 34-8N-3W	80 acres
Tract 8	S/2 NW Sec. 34-8N-3W	80 acres
Tract 9	E/E NE Sec. 33-8N-3W	80 acres
Tract 10	E/2 SE Sec. 33-8N-3W	80 acres
Tract 11	N/2 SW Sec. 34-8N-3W	80 acres
Tract 12	S/2 SW Sec. 34-8N-3W	80 acres
Tract 13	W/2 SE Sec. 34-8N-3W	80 acres
Tract 14	E/2 SE Sec. 34-8N-3W	80 acres
Tract 15	N/2 NE Sec. 3-7N-3W	80 acres
Tract 16	S/2 NE Sec. 3-7N-3W	80 acres
Tract 17	E/2 NW Sec. 3-7N-3W	80 acres
Tract 18	W/2 NW Sec. 3-7N-3W	80 acres
Tract 19	W/2 SW Sec. 3-7N-3W	80 acres
Tract 20	E/2 SW Sec. 3-7N-3W	80 acres
Tract 21	W/2 SW Sec. 3-7N-3W	<u>80 acres</u>
<b>Total</b>		<b>1,520 acres</b>

**EXHIBIT "B"**  
(continued)  
**UNITIZATION FORMULA**

**West Goldsby Osborn Unit**  
**McClain County, OK**

Participation Percentages are based 1/4 on tract acres, 3/4 on Productive Acre Feet.

Tract participations for the tracts are shown as followed:

<u>West Goldsby Unit</u>												
	25%								75%			
	Surf		Contour	Contour	Contour	Contour	Contour	Contour	Acre-Ft	Ave H	Ac-Ft %	25% Surf+75% Ac-ft
Tract	Acres		0	5	10	15	20	22				
1	40	2.63%	40	40	29	6	0	0	475	11.9	2.1%	2.3%
2	40	2.63%	40	40	16	0	0	0	380	9.5	1.7%	1.9%
3	40	2.63%	40	40	32	11	0	0	515	12.9	2.3%	2.4%
4	40	2.63%	40	40	19	2	0	0	405	10.1	1.8%	2.0%
5	80	5.26%	80	77	61	32	14	0	1,099	13.7	4.9%	5.0%
6	80	5.26%	80	80	68	32	3	0	1,111	13.9	5.0%	5.1%
7	80	5.26%	80	80	63	33	12	0	1,122	14.0	5.0%	5.1%
8	80	5.26%	80	80	80	61	31	0	1,414	17.7	6.4%	6.1%
9	80	5.26%	80	80	80	60	28	0	1,398	17.5	6.3%	6.0%
10	80	5.26%	80	80	64	36	16	0	1,156	14.5	5.2%	5.2%
11	80	5.26%	80	80	80	80	60	0	1,610	20.1	7.2%	6.7%
12	80	5.26%	80	80	78	62	21	0	1,374	17.2	6.2%	6.0%
13	80	5.26%	80	80	80	78	55	0	1,583	19.8	7.1%	6.7%
14	80	5.26%	80	80	80	80	75	0	1,663	20.8	7.5%	6.9%
15	80	5.26%	80	80	80	69	48	0	1,513	18.9	6.8%	6.4%
16	80	5.26%	80	80	80	68	32	0	1,452	18.2	6.5%	6.2%
17	80	5.26%	80	80	63	15	0	0	990	12.4	4.5%	4.7%
18	80	5.26%	80	53	25	5	0	0	615	7.7	2.8%	3.4%
19	80	5.26%	80	73	35	0	0	0	740	9.3	3.3%	3.8%
20	80	5.26%	80	76	56	3	0	0	875	10.9	3.9%	4.3%
21	80	5.26%	72	54	42	16	0	0	740	9.3	3.3%	3.8%
<b>Total</b>	<b>1,520</b>	<b>100.00%</b>	<b>1512</b>	<b>1453</b>	<b>1211</b>	<b>749</b>	<b>395</b>	<b>0</b>	<b>22,228</b>	<b>14.6</b>	<b>100.0%</b>	<b>100.0%</b>

EXHIBIT "C"

Twisted Oak Operating, LLC – Goodrich C#2 Well - Surface location in the SE/4 of Sec.  
34-T8N-R3W, McClain County, Oklahoma

**NE**  
**T7N R3W S3**  
**35087300500000**  
**GOODRICH C #2**  
**PETROLEUM INC**  
**9,290**

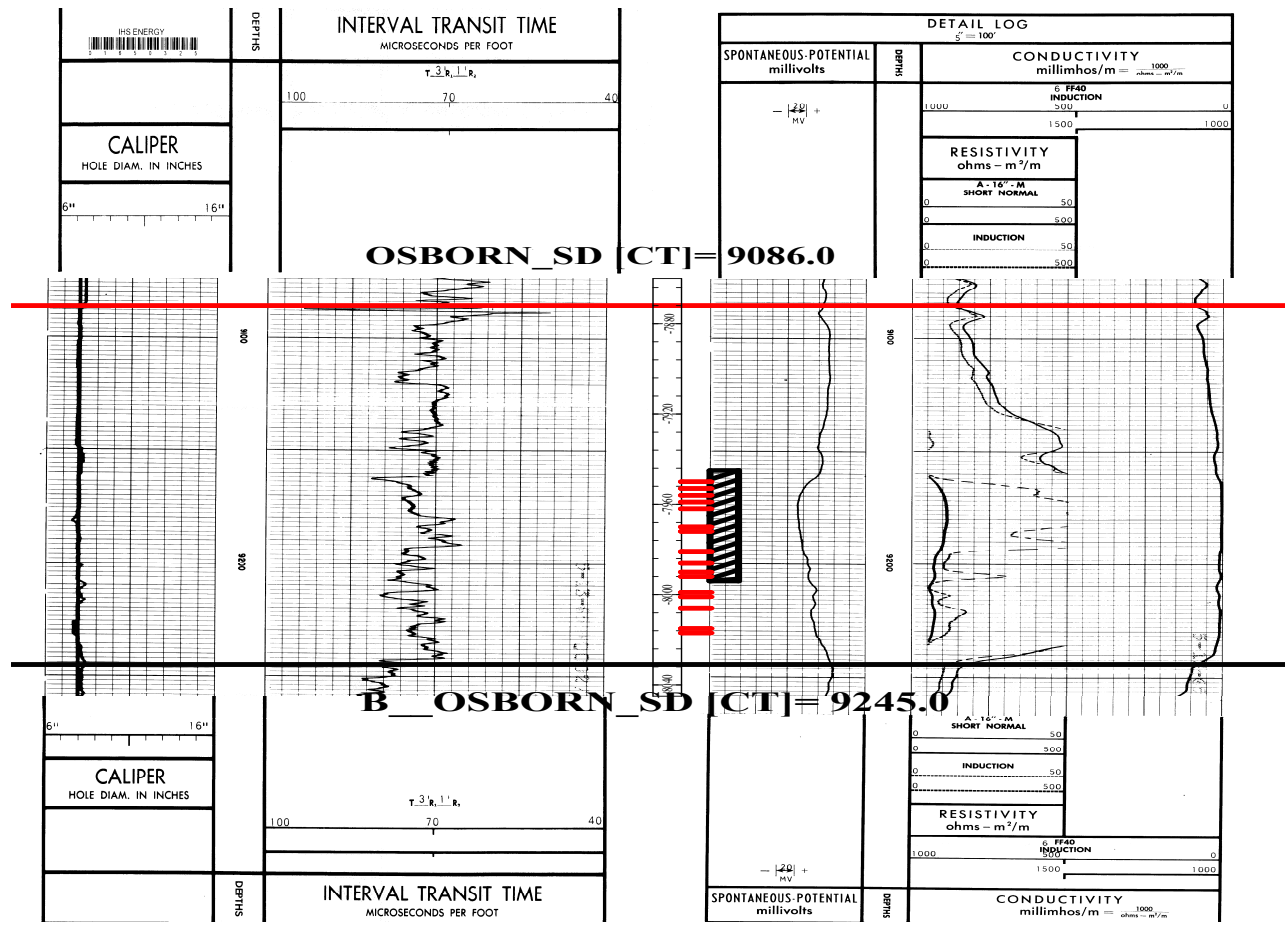




EXHIBIT "D"

ATTACHED TO AND MADE A PART OF THE PLAN OF UNITIZATION FOR  
THE WEST GOLDSBY OSBORN UNIT MCCLAIN COUNTY, OKLAHOMA

**ACCOUNTING PROCEDURE**  
**JOINT OPERATIONS**

**[See attached]**

EXHIBIT "E"

ATTACHED TO AND MADE A PART OF  
THE PLAN OF UNITIZATION  
FOR  
THE WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA

INSURANCE

Unit Operator shall carry for the benefit of the joint account insurance to cover Unit Operator's operations on the lands covered by this Plan of Unitization as follows:

1. Workmen's Compensation Insurance in full compliance with all applicable State and Federal Laws and Regulations.
2. Employer's Liability Insurance covering injury or death to any employee which may be outside the scope of the Workmen's Compensation statute of the State of Oklahoma.
  - \$100,000 each accident
3. Comprehensive General Liability Insurance (including pollution coverage) for injury to or death of any person and for any accident and for property damage.
  - \$1,000,000 combined single limit
4. Automobile Liability Insurance covering owned, non-owned and hired automotive equipment for injury or death of any person and for any accident and for property damage.
  - \$1,000,000 combined single limit
5. Cost of Well Control and Operator's Extra Expense insurance covering loss of well control.
  - \$5,000,000 OEE
6. Umbrella Liability (in excess of GL coverage)
  - \$5,000,000 combined single limit

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF  
THE PLAN OF UNITIZATION  
FOR  
THE WEST GOLDSBY OSBORN UNIT  
MCCLAIN COUNTY, OKLAHOMA

GOVERNMENTAL REGULATIONS

Unit Operator shall comply where applicable with the following clauses contained in 41 CFR:

60-1.4(a)	Equal Employment Opportunity
1-12.803-10	Certification of Non-segregated Facilities
60-250	Employment Opportunity for Veterans
60-741	Employment Opportunities for Handicapped Individuals
1-1.710	Subcontracting with Small Business Concerns
1-1.805	Subcontracting with Minority Business Enterprises
1.2302-2	Environmental Protection