

Model Form of Voluntary Unit Agreement

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MODEL FORM OF VOLUNTARY UNIT AGREEMENT

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FOREWORD

The API Model Form of Voluntary Unit Agreement and the companion Model Form of Voluntary Unit Operating Agreement date back to the First Editions, January 1957. The First Editions were superseded by Second Editions, January 1961. The Third Editions were issued in January 1970. The revised editions have been prepared to update these model forms by making revisions found from experience to be desirable. The majority of production units formed in the United States in recent years utilized these suggested forms in whole or in part.

The design of the model forms is to aid in the accomplishment of voluntary unitization of oil and condensate reservoirs that are substantially developed in order to conduct some form of pressure maintenance, repressuring, waterflooding, or other cooperative forms of operation to increase ultimate recovery.

These suggested forms have been prepared by the Subcommittee on Unit Operations under administration of API's Executive Committee on Drilling and Production Practices. Being general in nature, these suggested forms require a certain amount of adaptation to conform to the conditions and requirements of particular units and to the laws of different states. The latter is true in regard to matters of execution, acknowledgments, and filing for record.

USERS ARE CAUTIONED that this suggested form may not contain all the provisions that may be required by parties to an actual agreement for unit operations. In addition, the form contains numerous provisions that must be completed by inserting appropriate time periods, number of parties, voting requirements, or dollar amounts and each party must determine appropriate inserts for its particular situation or application. This is especially critical with respect to the voting requirement relating to operation of the lease. Users of the model form or portion or variations thereof should seek the advice of counsel to ensure that the agreement reflects the actual intent of the parties and is proper under the applicable business circumstances. Use of the form or any portion or variation thereof shall be at the sole discretion, risk, and liability of the user parties. American Petroleum Institute disclaims any and all interests or liability whatsoever for loss or damages that may result from use of the form or portions or variations thereof.

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UNIT AGREEMENT

UNIT

COUNTY,

THIS AGREEMENT, entered into as of the _____ day of _____, 19 _____, by the Parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to become a Party hereto,

W I T N E S S E T H:

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of Unitized Substances from the _____ Field, in _____ County, _____ and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this Agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct Unit Operations as herein provided,

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

ARTICLE 1

DEFINITIONS

As used in this Agreement:

1.1 Effective Date is the time and date this Agreement becomes effective, as provided in Section 17.1.

1.2 Oil and Gas Rights are the rights to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.3 Outside Substances are all substances purchased or otherwise obtained for a consideration by Working Interest Owners and injected into the Unitized Formation.

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

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

1.6 **Royalty Owner** is a Party hereto who owns a Royalty Interest.

1.7 **Tract** is the land described as such and given a tract number in "Exhibit B".

1.8 **Tract Participation** is the percentage shown on "Exhibit B" for allocating Unitized Substances to a Tract.

1.9 **Unit Area** is the land described by Tracts in "Exhibit B" and shown on "Exhibit A" as to which this Agreement becomes effective or to which it may be extended as herein provided.

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

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

1.12 **Unit Operations** are all operations conducted pursuant to this Agreement and the Unit Operating Agreement.

1.13 **Unit Operating Agreement** is the agreement entered into by Working Interest Owners, having the same Effective Date as this Agreement, and entitled "Unit Operating Agreement, _____ Unit, _____ County, _____".

1.14 **Unit Operator** is the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations, acting as operator and not as a Working Interest Owner.

1.15 **Unit Participation** of a Working Interest Owner is the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract that qualifies for inclusion within the Unit Area by the Tract Participation of such Tract.

1.16 **Unitized Formation** is the subsurface portion of the Unit Area described as
(DESCRIBE BY GEOLOGIC NAME, DEPTH INTERVAL, OR OTHERWISE.)

1.17 **Unitized Substances** are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons other than Outside Substances within or produced from the Unitized Formation.

1.18 **Working Interest** is an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, the owner of which interest is obligated to pay, either in cash or out of production or otherwise, a portion of the Unit Expense; however, Oil and Gas Rights that are free of lease or other instrument creating a Working Interest shall be regarded as a Working Interest to the extent of seven-eighths (7/8) thereof and a Royalty Interest to the extent of the remaining one-eighth (1/8) thereof. A Royalty Interest created out of a Working Interest subsequent to the execution of this Agreement by the owner of such Working Interest shall continue to be subject to such Working Interest burdens and obligations that are stated in this Agreement and the Unit Operating Agreement.

1.19 **Working Interest Owner** is a Party hereto who owns a Working Interest.