

Model Form of Voluntary Unit Operating Agreement

API MODEL FORM 5U02
FOURTH EDITION, JUNE 1, 1993

American Petroleum Institute
1220 L Street, Northwest
Washington, DC 20005



Issued by
AMERICAN PETROLEUM INSTITUTE
Exploration & Production Department

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MODEL FORM OF VOLUNTARY UNIT OPERATING AGREEMENT

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FOREWORD

The API Model Form of Voluntary Unit Operating Agreement and the companion Model Form of Voluntary Unit 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 The First Editions were superseded by Second Editions, January 1961.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, acknowledgements, 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 portions 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 OPERATING 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,

WITNESSETH:

WHEREAS, the Parties hereto as Working Interest Owners have executed, as of the date hereof, an Agreement entitled "Unit Agreement, ____ Unit, ____ County, ____", herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for Unit Operations as therein defined,

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

ARTICLE 1

CONFIRMATION OF UNIT AGREEMENT

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

2.1.1 "Exhibit A" and "Exhibit B" of the Unit Agreement.

2.1.2 "Exhibit C" which is a schedule showing the Working Interest of each Working Interest Owner in each Tract, the portion of each Working Interest Owner's Unit Participation attributable to each such interest, and the Unit Participation of each Working Interest Owner. "Exhibit C", or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations