

Model Form of Statutory Unit Agreement

API MODEL FORM 5U03
SECOND EDITION, JUNE 1, 1993

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MODEL FORM OF STATUTORY UNIT AGREEMENT

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FOREWORD

The API Model Form of Statutory Unit Agreement and the companion Model Form of Statutory Unit Operating Agreement were issued as First Editions, March 1974. The revised Second Editions, April 1, 1993, supersede and replace the First Editions of these model forms. The revised editions have been prepared to update these model forms to include revisions found from experience to be desirable.

These model forms are designed for use in states where so-called "fieldwide" units may be established by order of the appropriate regulatory agency for the purpose of increasing the ultimate recovery of oil and gas.

Because of similarities in accomplishing unitization, either voluntarily or under statutory authority, these model forms are patterned after *Model Form 5U01: Model Form of Voluntary Unit Agreement, Fourth Edition*, April 1993, and *Model Form 5U02: Model Form of Voluntary Unit Operating Agreement, Fourth Edition*, April 1993. Appropriate modifications and footnotes reflect requirements and prohibitions of various state statutes. *Being general in nature, these forms require adaptation to conform to conditions of particular units and to requirements concerning execution, acknowledgment, and recordation.*

Statutes of some states contemplate that the Unit Agreement and Unit Operating Agreement will be consolidated into a single document for approval by participants and the appropriate regulatory agency. The single document would consist of two parts corresponding to the two model forms. In other states, the two model forms can be used as separate documents.

The revised model forms were prepared by the Subcommittee on Unit Operations under the administration of the API Executive Committee on Drilling & Production Practices.

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 requirements 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, is proper under the applicable business circumstances, and is appropriate under the governing statute. 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 AGREEMENT¹

UNIT

COUNTY,²

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, 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, pursuant to ____.^{3, 4}

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 15.1.

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.

1.3⁵ 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,

¹ Michigan, Nebraska, and New Mexico: Add "(Plan of Unitization)" below title, "UNIT AGREEMENT".

² Alaska: Use "Borough"; Louisiana: Use "Parish", throughout this Agreement.

³ Insert applicable statutory citation.

⁴ See Part I of Supplement for unanimous agreement provisions, except for Georgia.

⁵ For Alaska, Nevada, North Dakota, and Oklahoma, see statutory requirement for establishment of Operating Committee. Operating Committee should be defined and inserted as Section 1.3 and subsequent Sections 1.3 through 1.19 should be renumbered.