

18.3 **Title Committee.** Promptly after the effective date of this agreement a Title Committee shall be formed. It shall consist of a representative of each Party who desires to be represented on the Title Committee. Each such Party shall designate its representative by written notice to Unit Operator within fifteen (15) days after receipt of written request from Unit Operator so to do. Each Party shall have the privilege of changing its representatives at will and of designating a representative at a later date if it originally elects not to do so.

18.4 **Duties of Title Committee.** As soon as received, Unit Operator shall deliver to the Title Committee all title papers received pursuant to Section 18.2B, C or D. The Title Committee shall arrange to have the same examined promptly by attorneys selected by it and shall distribute copies of title opinions to all Parties as soon as they are prepared. After a title examination has been completed and a reasonable time not exceeding thirty (30) days has been allowed for any necessary curative work, the Title Committee shall submit to each Party a report concerning the title examination with written recommendation for approval or disapproval of the title to each Committed Working Interest involved.

18.5 **Expense of Title Examination and Curative Work.** All expenses incurred at the direction of the Title Committee in examination of titles to an area designated pursuant to Section 18.2 shall be charged as Costs incurred in Drilling the well for which title examination is made and all expenses incurred in examination of titles upon establishment or enlargement of a participating area shall be charged as Costs incurred in the operation of such participating area as established or enlarged. Such curative work as is performed to meet title requirements concerning a Committed Working Interest shall be performed by and at the expense of the Party claiming such interest.

18.6 **Withdrawal from Drilling Party.** Any Party included in the Drilling Party for a well for which title examination is made as above provided, who has disapproved title to a Committed Working Interest which has been examined in connection with the Drilling of such well may withdraw from the Drilling Party by giving written notice of such withdrawal to all other Parties included in the Drilling Party within fifteen (15) days after the recommendation of the Title Committee on a title examination made in connection with the Drilling of the well, and the drilling of such well shall not be commenced until the expiration of said fifteen (15) day period.

In the event any Party so withdraws, the proposed well shall not be drilled unless within fifteen (15) days after the giving of such notice of withdrawal, a Party or Parties included in the Drilling Party agrees in writing to bear that proportion of the Costs incurred in Drilling such well that would have been borne by the withdrawing Party.

18.7 **Approval of Titles on Establishment or Enlargement of a Participating Area.** Within fifteen (15) days after the receipt of the recommendation of the Title Committee on title examination made upon the establishment or enlargement of a participating area, each Party within the participating area as established or enlarged shall notify each of the other Parties therein whether it accepts or rejects title to each Committed Working Interest within such participating area as established or enlarged. Any Party rejecting title shall state the reasons therefor in writing.

If title to a Committed Working Interest is rejected by any Party by notice given as above provided, the Parties within the participating area as established or enlarged shall vote in accordance with Article 14 dealing with Supervision of Operations by Parties, on the Approval of such title. If, on such vote, the title receives the Approval of the Parties, such title shall be deemed Approved; if not, it shall be deemed disapproved. If no Party has rejected title to a Committed Working Interest by notice given as above provided, then title to such interest shall be deemed Approved without vote of the Parties.

18.8 **Effect of Disapproval of Title on Establishment or Enlargement of Participating Area.** If title to the Committed Working Interest in a tract within a participating area is disapproved as provided in Section 18.7, the Party claiming such Committed Working Interest may, within thirty (30) days after such disapproval provide indemnity in such terms and in such amount as receives the Approval of the Parties (other than the indemnifying Party) within such participating area, on an Acreage Basis among themselves. In the absence of such indemnity, the proceeds of the Production from such tract or of the Production allocated thereto (whichever is the greater) to the extent attributable to such Committed Working Interest, after deducting Lease Burdens payable thereon, shall be paid to Unit Operator and held in suspense until title to such Committed Working Interest receives the Approval of the Parties within such participating area or until such time as such Committed Working Interest is lost through title failure; provided, however, that Unit Operator shall apply such proceeds in payment of Costs incurred in the development or operation of such participating area to the extent chargeable in respect of such Committed Working Interest.

18.9 **Failure of Title to Committed Working Interest.** If title to a Committed Working Interest fails in whole or in part, such Committed Working Interest shall no longer be subject to this agreement and the following provisions shall apply:

A. **Loss of Production.** The Party whose title has failed shall not be entitled to receive, after the date of such title failure, any Production that would otherwise accrue to such interest. If Unit Operator holds in suspense in accordance with Section 18.8 the proceeds of any Production on account of such Committed Working Interest, such proceeds shall be distributed either to the Parties or to others as their respective interests may appear.

B. **Loss of Ownership in Wells and Property.** Such interest as the Party claiming such Committed Working Interest may have in wells, materials, equipment and other property on account of such Committed Working Interest shall pass to and vest in the other Parties owning the same in proportion to their respective interests therein among themselves.

C. **Liabilities to Third Parties.** Any liability to account to third parties for prior production of Unitized Substances which arises by reason of such title failure shall be borne by the Parties in the same proportions in which they shared in such prior Production. Any and all other liabilities to third parties shall be borne by the Party claiming the Committed Working Interest title to which has failed.

D. **Reimbursement for Investment.** If at the time of such title failure the tract affected thereby is within a participating area, the Party whose Committed Working Interest therein has been lost shall be credited with the same amount as would be credited to it for the interest owned by it, by reason of such Committed Working Interest, in useable wells and tangible property within such participating area (other than useable wells and tangible property located on the tract affected by the title failure, to the extent affected by the title failure) if at such time an investment adjustment were made for the participating area in accordance with Section 13.3 dealing with Method of Adjustment. If the amount so credited is in excess of the proceeds or market value of that portion of the Production from such participating area which was received by such Party prior to the title failure, by reason of such Committed Working Interest after deducting Lease Burdens paid in respect of said portion, then after such title failure such Party shall (1) be entitled to that portion of the Production from such participating area as then constituted or thereafter revised which it would have received had title to such Committed Working Interest not failed, less Lease Burdens payable on said portion and (2) be charged with a like portion of its Costs incurred in the operation of wells within such participating area, until such time as the proceeds or market value of said portion of Production, less said portion of operating Costs, shall equal such excess; provided, however, that such Party shall not have any voice in the conduct or supervision of operations within such participating area or in any revision of such participating area other than such as it may be entitled to by reason of ownership of Committed Working Interests within the participating area that are not affected by the title failure.

18.10 **Joiner by True Owner.** A true owner of a working interest title to which has failed may join in this Agreement or enter upon a separate operating agreement with the Parties to this agreement upon such terms and conditions as receive the Approval of the Parties within the Unit Area.

#### ARTICLE 19 UNLEASED INTERESTS

19.1 **Treated as Leased.** If a Party owns in fee all or any part of the oil and gas rights in any tract within the Unit Area which is not subject to any oil and gas lease, or other contract in the nature thereof, such Party shall be deemed to own a Committed Working Interest in such tract and also a royalty interest therein in the same manner as if such Party's oil and gas rights in such tract were covered by the form of oil and gas lease attached hereto as Exhibit 6.

19.2 **Execution of Lease.** In any provision hereof where reference is made to an assignment or conveyance by any Party of its Committed Working Interest to any other Party, such references as to any Party owning an unleased interest shall be interpreted to mean that such Party shall execute an oil and gas lease to such other Party on the form attached hereto as Exhibit 6, which shall satisfy the requirement for assignment or conveyance of a Committed Working Interest.