

1           If any well drilled as aforesaid by a Working Interest Owners results in  
2 production such that the land upon which it is situated may properly be in-  
3 cluded in a participating area, such participating area shall be established  
4 or enlarged as provided in this agreement and the well shall thereafter be  
5 operated by the Unit Operator in accordance with the terms of this agreement  
6 and the Unit Operating Agreement.

7           If any well drilled as aforesaid by a Working Interest Owner obtains pro-  
8 duction in quantities insufficient to justify the inclusion in a participating area  
9 of the land upon which such well is situated, such well may be operated and  
10 produced by the party drilling the same subject to the conservation require-  
11 ments of this agreement. The royalties in amount or value of production from  
12 any such well shall be paid as specified in the underlying lease and agreements  
13 affected.

14           14. ROYALTY SETTLEMENT. The United States and any state and  
15 all royalty owners who, under existing contract, are entitled to take in kind  
16 a share of the substances now unitized hereunder produced from any tract,  
17 shall hereafter be entitled to the right to take in kind their share of the unitized  
18 substances allocated to such tract, and Unit Operator, or in case of the opera-  
19 tion of a well by a Working Interest Owner as herein in special cases provided  
20 for, such Working Interest Owner, shall make deliveries of such royalty share  
21 taken in kind in conformity with the applicable contracts, laws and regulations.  
22 Settlement for royalty interest not taken in kind shall be made by Working  
23 Interest Owners responsible therefor under existing contracts, laws and  
24 regulations on or before the last day of each month for unitized substances pro-  
25 duced during the preceding calendar month; provided, however, that nothing  
26 herein contained shall operate to relieve the lessees of any land from their  
27 respective lease obligations for the payment of any royalties due under their  
28 leases.

29           If gas obtained from lands not subject to this agreement is introduced  
30 into any participating area hereunder, for use in repressuring, stimulation of  
31 production, or increasing ultimate recovery, which shall be in conformity