

1 shall be revised from time to time, subject to like approval, whenever
2 such action appears proper as a result of further drilling operations
3 or otherwise, to include additional land then regarded as reasonably
4 proved to be productive in paying quantities, or to exclude land then
5 regarded as reasonably proved not to be productive in paying quantities
6 and the percentage of allocation shall also be revised accordingly.
7 The effective date of any revision shall be the first of the month in
8 which is obtained the knowledge or information on which such revision
9 is predicated, provided, however, that a more appropriate effective date
10 may be used if justified by the Unit Operator and approved by the
11 Director. No land shall be excluded from a participating area on
12 account of depletion of the unitized substances.

13 It is the intent of this section that a participating area shall
14 represent the area known or reasonably estimated to be productive in
15 paying quantities; but, regardless of any revision of the participating
16 area, nothing herein contained shall be construed as requiring any retro-
17 active adjustment for production obtained prior to the effective date of
18 the revision of the participating area.

19 In the absence of agreement at any time between the Unit Operator
20 and the Director as to the proper definition or redefinition of a
21 participating area, or until a participating area has, or areas have,
22 been established as provided herein, the portion of all payments affect-
23 ed thereby may be impounded in a manner mutually acceptable to the
24 owners of working interests, except royalties due the United States,
25 which shall be determined by the Supervisor and the amount thereof
26 deposited, as directed by the Supervisor, to be held as unearned money
27 until a participating area is finally approved and then applied as earned
28 or returned in accordance with a determination of the sum due as Federal
29 royalty on the basis of such approved participating area.

30 Whenever it is determined, subject to the approval of the Super-
31 visor, that a well drilled under this agreement is not capable of
32 production in paying quantities and inclusion of the land on which it