

116

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well
1 capable of producing unitized substances in paying quantities or as soon
2 thereafter as required by the Supervisor, the Unit Operator shall submit
3 for approval by the Director a schedule, based on subdivisions of the
4 public-land survey or aliquot parts thereof, of all unitized land then
5 regarded as reasonably proved to be productive of unitized substances in
6 paying quantities; all lands in said schedule on approval of the Director
7 to constitute a participating area, effective as of the date of completion
8 of such well or the effective date of the unit agreement, whichever is
9 later. Said schedule also shall set forth the percentage of unitized sub-
10 stances to be allocated as herein provided to each unitized tract in the
11 participating area so established, and shall govern the allocation of pro-
12 duction from and after the date the participating area becomes effective.
13 A separate participating area shall be established in like manner for each
14 separate pool or deposit of unitized substances or for any group thereof
15 produced as a single pool or zone, and any two or more participating areas
16 so established may be combined into one with the consent of the owners of
17 all working interests in the lands within the participating areas so to be
18 combined, on approval of the Director. The participating area or areas so
19 established shall be revised from time to time, subject to like approval,
20 whenever such action appears proper as a result of further drilling opera-
21 tions or otherwise, to include additional land then regarded as reasonably
22 proved to be productive in paying quantities, or to exclude land then re-
23 garded as reasonably proved not to be productive in paying quantities and
24 the percentage of allocation shall also be revised accordingly. The effec-
25 tive date of any revision shall be the first of the month in which is ob-
26 tained the knowledge or information on which such revision is predicated,
27 provided, however, that a more appropriate effective date may be used if
28 justified by the Unit Operator and approved by the Director. No land shall
29 be excluded from a participating area on account of depletion of the uni-
30 tized substances.
31

32 It is the intent of this section that a participating area shall
33 represent the area known or reasonably estimated to be productive in paying
34 quantities; but, regardless of any revision of the participating area, noth-
35 ing herein contained shall be construed as requiring any retroactive adjust-
36 ment for production obtained prior to the effective date of the revision of
37 the participating area.

38 In the absence of agreement at any time between the Unit Operator
39 and the Director as to the proper definition or redefinition of a partici-
40 pating area, or until a participating area has, or areas have, been estab-
41 lished as provided herein, the portion of all payments affected thereby may
42 be impounded in a manner mutually acceptable to the owners of working inter-
43 ests, except royalties due the United States, which shall be determined by
44 the Supervisor and the amount thereof deposited, as directed by the Super-
45 visor, to be held as unearned money until a participating area is finally
46 approved and then applied as earned or returned in accordance with a deter-
47 mination of the sum due as Federal royalty on the basis of such approved
48 participating area.

49 Whenever it is determined, subject to the approval of the Supervisor,
50 that a well drilled under this agreement is not capable of production in
51 paying quantities and inclusion of the land on which it is situated in a
52 participating area is unwarranted, production from such well shall, for the
53 purposes of settlement among all parties other than working interest owners,
54 be allocated to the land on which the well is located so long as such land
55 is not within a participating area established for the pool or deposit
56 from which such production is obtained. Settlement for working interest
57 benefits from such a well shall be made as provided in the unit operating
58 agreement.

59 12. ALLOCATION OF PRODUCTION. All unitized substances produced
60 from each participating area established under this agreement, except any
61 part thereof used in conformity with good operating practices within the
62 unitized area for drilling, operating, camp and other production or devel-
63 opment purposes, for repressuring or recycling in accordance with a plan of
64 development approved by the Supervisor, or unavoidably lost, shall be deemed
65 to be produced equally on an acreage basis from the several tracts of uni-
66 tized land of the participating area established for such production and,