

1 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-
 2 strued to be covenants running with the land with respect to the interest
 3 of the parties hereto and their successors in interest until this agree-
 4 ment terminates, and any grant, transfer, or conveyance, of interest in
 5 land or leases subject hereto shall be and hereby is conditioned upon the
 6 assumption of all privileges and obligations hereunder by the grantee,
 7 transferee, or other successor in interest. No assignment or transfer of
 8 any working interest, royalty, or other interest subject hereto shall be
 9 binding upon Unit Operator until the first day of the calendar month after
 10 Unit Operator is furnished with the original, photostatic, or certified
 11 copy of the instrument of transfer.

12 20. EFFECTIVE DATE AND TERM. This agreement shall become effec-
 13 tive upon approval by the Secretary or his duly authorized representative.
 14 and shall terminate five (5) years from said effective date unless

15 (a) such date of expiration is extended by the Director,
 16 or

17 (b) it is reasonably determined prior to the expiration
 18 of the fixed term or any extension thereof that the unitized
 19 land is incapable of production of unitized substances in pay-
 20 ing quantities in the formations tested hereunder and after
 21 notice of intention to terminate the agreement on such ground
 22 is given by the Unit Operator to all parties in interest at
 23 their last known addresses, the agreement is terminated with
 24 the approval of the Director, or

25 (c) a valuable discovery of unitized substances has been
 26 made on unitized land during said initial term or any exten-
 27 sion thereof, in which event the agreement shall remain in
 28 effect for such term and so long as unitized substances can
 29 be produced in paying quantities, i.e., in this particular
 30 instance in quantities sufficient to pay for the cost of
 31 producing same from wells on unitized land within any parti-
 32 cipating area established hereunder and, should production
 33 cease, so long thereafter as diligent operations are in progress
 34 for the restoration of production or discovery of new production
 35 and so long thereafter as the unitized substances so discovered
 36 can be produced as aforesaid, or

37 (d) it is terminated as heretofore provided in this agreement.

38 This agreement may be terminated at any time by not less than 75 per
 39 centum, on an acreage basis, of the owners of working interests signatory
 40 hereto, with the approval of the Director; notice of any such approval to
 41 be given by the Unit Operator to all parties hereto.

42 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director
 43 is hereby vested with authority to alter or modify from time to time in
 44 his discretion the quantity and rate of production under this agreement
 45 when such quantity and rate is not fixed pursuant to Federal or State law
 46 or does not conform to any state-wide voluntary conservation or allocation
 47 program, which is established, recognized, and generally adhered to by the
 48 majority of operators in such State, such authority being hereby limited
 49 to alteration or modification in the public interest, the purpose thereof
 50 and the public interest to be served thereby to be stated in the order of
 51 alteration or modification. Without regard to the foregoing, the Director
 52 is also hereby vested with authority to alter or modify from time to
 53 time in his discretion the rate of prospecting and development and the
 54 quantity and rate of production under this agreement when such alteration
 55 or modification is in the interest of attaining the conservation objec-
 56 tives stated in this agreement and is not in violation of any applicable
 57 Federal or State law.

58 Powers in this section vested in the Director shall only be exer-
 59 cised after notice to Unit Operator and opportunity for hearing to be held
 60 not less than 15 days from notice.