

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

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

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

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

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

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

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

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

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