

1 the owners thereof if no such new Unit Operator is elected, to be used 1
 2 for the purpose of conducting unit operations hereunder. Nothing herein 2
 3 shall be construed as authorizing removal of any material, equipment and 3
 4 appurtenances needed for the preservation of any wells. 4

5 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 5
 6 tender his or its resignation as Unit Operator or shall be removed as 6
 7 hereinabove provided, the owners of the working interests in the parti- 7
 8 cipating area or areas according to their respective acreage interests 8
 9 in such participating area or areas, or, until a participating area shall 9
 10 have been established, the owners of the working interests according to 10
 11 their respective acreage interests in all unitized land, shall by majority 11
 12 vote select a successor Unit Operator: Provided, That, if a majority but 12
 13 less than 75 per cent of the working interests qualified to vote are owned 13
 14 by one party to this agreement, a concurring vote of one or more additional 14
 15 working interest owners shall be required to select a new operator. Such 15
 16 selection shall not become effective until 16

17 (a) a Unit Operator so selected shall accept in writing the duties 17
 18 and responsibilities of Unit Operator, and 18

19 (b) the selection shall have been approved by the Director. If 19
 20 no successor Unit Operator is selected and qualified as herein provided, 20
 21 the Director at his election may declare this unit agreement terminated. 21

22 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the 22
 23 Unit Operator is not the sole owner of working interests, costs and expenses 23
 24 incurred by Unit Operator in conducting unit operations hereunder shall be 24
 25 paid and apportioned among and borne by the owners of working interests, 25
 26 all in accordance with the agreement or agreements entered into by and be- 26
 27 tween the Unit Operator and the owners of working interests, whether one 27
 28 or more, separately or collectively. Any agreement or agreements entered 28
 29 into between the working interest owners and the Unit Operator as provided 29
 30 in this section, whether one or more, are herein referred to as the "unit 30
 31 operating agreement." Such unit operating agreement shall also provide the 31
 32 manner in which the working interest owners shall be entitled to receive 32
 33 their respective proportionate and allocated share of the benefits accruing 33
 34 hereto in conformity with their underlying operating agreements, leases, or 34
 35 other independent contracts, and such other rights and obligations as be- 35
 36 tween Unit Operator and the working interest owners as may be agreed upon 36
 37 by Unit Operator and the working interest owners; however, no such unit 37
 38 operating agreement shall be deemed either to modify any of the terms and 38
 39 conditions of this unit agreement or to relieve the Unit Operator of any 39
 40 right or obligation established under this unit agreement, and in case of 40
 41 any inconsistency or conflict between the unit agreement and the unit oper- 41
 42 ating agreement, this unit agreement shall prevail. Three true copies of 42
 43 any unit operating agreement executed pursuant to this section should be 43
 44 filed with the Supervisor, prior to approval of this unit agreement. 44

45 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 45
 46 specifically provided herein, the exclusive right, privilege, and duty of 46
 47 exercising any and all rights of the parties hereto which are necessary or 47
 48 convenient for prospecting for, producing, storing, allocating, and distri- 48
 49 buting the unitized substances are hereby delegated to and shall be exer- 49
 50 cised by the Unit Operator as herein provided. Acceptable evidence of 50
 51 title to said rights shall be deposited with said Unit Operator and, to- 51
 52 gether with this agreement, shall constitute and define the rights, 52
 53 privileges, and obligations of Unit Operator. Nothing herein, however, 53
 54 shall be construed to transfer title to any land or to any lease or operat- 54
 55 ing agreement, it being understood that under this agreement the Unit Opera- 55
 56 tor, in its capacity as Unit Operator, shall exercise the rights of posses- 56
 57 sion and use vested in the parties hereto only for the purposes herein 57
 58 specified. 58

59 9. DRILLING TO DISCOVERY. Within 6 months after the effective 59
 60 date hereof, the Unit Operator shall begin to drill an adequate test well 60
 61 at a location approved by the Supervisor, unless on such effective date a 61
 62 well is being drilled conformably with the terms hereof, and thereafter 62
 63 continue such drilling diligently until the ELMY 63
 64 formation has been tested or until at a lesser depth unitized substances 64