

1 shall be discovered which can be produced in paying quantities (to wit: 1
 2 quantities sufficient to repay the costs of drilling, and producing opera- 2
 3 tions, with a reasonable profit) or the Unit Operator shall at any time 3
 4 establish to the satisfaction of the Supervisor that further drilling of 4
 5 said well would be unwarranted or impracticable, provided, however, that 5
 6 Unit Operator shall not in any event be required to drill said well to a 6
 7 depth in excess of 4700 feet. Until the dis- 7
 8 covery of a deposit of unitized substances capable of being produced in 8
 9 paying quantities, the Unit Operator shall continue drilling diligently 9
 10 one well at a time, allowing not more than 6 months between the completion 10
 11 of one well and the beginning of the next well, until a well capable of 11
 12 producing unitized substances in paying quantities is completed to the 12
 13 satisfaction of said Supervisor or until it is reasonably proved that the 13
 14 unitized land is incapable of producing unitized substances in paying quan- 14
 15 tities in the formations drilled hereunder. Nothing in this section shall 15
 16 be deemed to limit the right of the Unit Operator to resign as provided in 16
 17 Section 5 hereof, or as requiring Unit Operator to commence or continue 17
 18 any drilling during the period pending such resignation becoming effective 18
 19 in order to comply with the requirements of this section. The Director 19
 20 may modify the drilling requirements of this section by granting reason- 20
 21 able extensions of time when, in his opinion, such action is warranted. 21

22 Upon failure to comply with the drilling provisions of this section, 22
 23 the Director may, after reasonable notice to the Unit Operator, and each 23
 24 working interest owner, lessee, and lessor at their last known addresses, 24
 25 declare this unit agreement terminated. Continued on page 5A 25

26 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months 26
 27 after completion of a well capable of producing unitized substances in 27
 28 paying quantities, the Unit Operator shall submit for the approval of the 28
 29 Supervisor an acceptable plan of development and operation for the unitized 29
 30 land which, when approved by the Supervisor, shall constitute the further 30
 31 drilling and operating obligations of the Unit Operator under this agree- 31
 32 ment for the period specified therein. Thereafter, from time to time before 32
 33 the expiration of any existing plan, the Unit Operator shall submit for the 33
 34 approval of the Supervisor a plan for an additional specified period for 34
 35 the development and operation of the unitized land. Any plan submitted 35
 36 pursuant to this section shall provide for the exploration of the unitized 36
 37 area and for the diligent drilling necessary for determination of the area 37
 38 or areas thereof capable of producing unitized substances in paying quan- 38
 39 tities in each and every productive formation and shall be as complete and 39
 40 adequate as the Supervisor may determine to be necessary for timely develop- 40
 41 ment and proper conservation of the oil and gas resources of the unitized 41
 42 area and shall 42

43 (a) specify the number and locations of any wells to be 43
 44 drilled and the proposed order and time for such drilling; 44
 45 and 45

46 (b) to the extent practicable specify the operating prac- 46
 47 tices regarded as necessary and advisable for proper con- 47
 48 servation of natural resources. Separate plans may be sub- 48
 49 mitted for separate productive zones, subject to the approval 49
 50 of the Supervisor. Said plan or plans shall be modified or 50
 51 supplemented when necessary to meet changed conditions or to 51
 52 protect the interests of all parties to this agreement. Rea- 52
 53 sonable diligence shall be exercised in complying with the 53
 54 obligations of the approved plan of development. The Super- 54
 55 visor is authorized to grant a reasonable extension of the 55
 56 6-month period herein prescribed for submission of an initial 56
 57 plan of development where such action is justified because of 57
 58 unusual conditions or circumstances. After completion here- 58
 59 under of a well capable of producing any unitized substance 59
 60 in paying quantities, no further wells, except such as may be 60
 61 necessary to afford protection against operations not under 61
 62 this agreement or such as may be specifically approved by the 62
 63 Supervisor, shall be drilled except in accordance with a plan 63
 64 of development approved as herein provided. 64