

1 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well
 2 capable of producing unitized substances in paying quantities or as soon
 3 thereafter as required by the Supervisor, the Unit Operator shall submit
 4 for approval by the Director a schedule, based on subdivisions of the
 5 public-land survey or aliquot parts thereof, as to Federal land, and,
 6 as to non-Federal lands, based upon appropriate computations from the
 7 courses and distances shown on the last approved public-land survey as
 8 of the effective date of the initial participating area, of all unitized
 9 land then regarded as reasonably proved to be productive of unitized
 10 substances in paying quantities; all lands in said schedule on approval
 11 of the Director to constitute a participating area, effective as of the
 12 date of completion of such well or the effective date of the unit agree-
 13 ment, whichever is later. Said schedule also shall set forth the per-
 14 centage of unitized substances to be allocated as herein provided to each
 15 unitized tract in the participating area so established, and shall govern
 16 the allocation of production from and after the date the participating
 17 area becomes effective. A separate participating area shall be estab-
 18 lished in like manner for each separate pool or deposit of unitized
 19 substances or for any group thereof produced as a single pool or zone,
 20 and any two or more participating areas so established may be combined
 21 into one with the consent of the owners of all working interests in
 22 the lands within the participating areas so to be combined, on approval
 23 of the Director. The participating area or areas so established shall
 24 be revised from time to time, subject to like approval, whenever such
 25 action appears proper as a result of further drilling operations or
 26 otherwise, to include additional land then regarded as reasonably proved
 27 to be productive in paying quantities, or to exclude land then regarded
 28 as reasonably proved not to be productive in paying quantities and the
 29 percentage of allocation shall also be revised accordingly. The effec-
 30 tive date of any revision shall be the first of the month in which is
 31 obtained the knowledge or information on which such revision is pre-
 32 dicated, provided, however, that a more appropriate effective date may
 33 be used if justified by the Unit Operator and approved by the Director.
 34 No land shall be excluded from a participating area on account of deple-
 35 tion of the unitized substances. It is the intent of this section that a
 36 participating area shall represent the area known or reasonably estimated
 37 to be productive in paying quantities; but, regardless of any revision
 38 of the participating area, nothing herein contained shall be construed
 39 as requiring any retroactive adjustment for production obtained prior
 40 to the effective date of the revision of the participating area. In the
 41 absence of agreement at any time between the Unit Operator and the Director
 42 as to the proper definition or redefinition of a participating area, or
 43 until a participating area has, or areas have, been established as pro-
 44 vided herein, the portion of all payments affected thereby may be impounded
 45 in a manner mutually acceptable to the owners of working interests, except
 46 royalties due the United States, which shall be determined by the Super-
 47 visor and the amount thereof deposited, as directed by the Supervisor, to
 48 be held as unearned money until a participating area is finally approved
 49 and then applied as earned or returned in accordance with a determination
 50 of the sum due as Federal royalty on the basis of such approved partici-
 51 pating area. Whenever it is determined, subject to the approval of the
 52 Supervisor, that a well drilled under this agreement is not capable of
 53 production in paying quantities and inclusion of the land on which it is
 54 situated in a participating area is unwarranted, production from such
 55 well shall, for the purposes of settlement among all parties other than
 56 working interest owners, be allocated to the land on which the well is
 57 located so long as such land is not within a participating area estab-
 58 lished for the pool or deposit from which such production is obtained.
 59 Settlement for working interest benefits from such a well shall be made
 60 as provided in the unit operating agreement.

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